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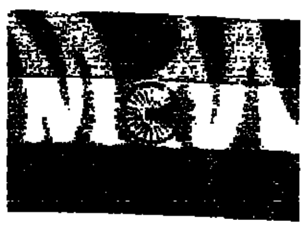

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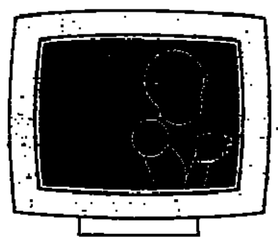

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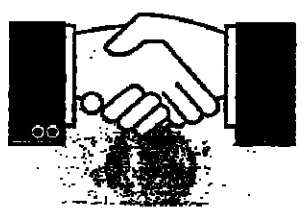

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A return to the cosy ritual
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World Business Newspaper

TUESDAY APRIL 16 1996

Holzmann blames $242m loss on property slump

Germany's biggest construction group, Philipp Holzmann, which is fighting off a bid attempt by smaller rival Hochtief, blamed a sharp slide in domestic property values as it revealed a net loss of DM360m ($242m) last year, reversing its previous profit forecast. The company said the problems mainly reflected the worsening state of the German property market and said it would pay no dividend. Page 17

Wall St prompts European highs: Shares in London and Frankfurt hit new closing highs as Wall Street and the dollar's strength buoyed European bourses. In London the FT-SE 100 ended at 3,790.5 up 23.7 and the German 30-share DAX index closed up 34.16 at 2,545.94. In France the CAC-40 index also came withing a few points of a record before closing at 2,075.7, up 0.96. Observer, Page 15; London Stocks, Page 32; World stocks, Page 36

Security Dynamics, the computer network security group, is to buy fellow US company RSA Data Security, the leading supplier of security code technology for the Internet and electronic commerce, in a stock deal valued at about $200m. Page 17

Markets approve $3.3bn Swedish plan: Sweden's SKr22.1bn ($3.34bn) plan for spending cuts, tax increases and asset sales, aimed at eliminating the country's budget deficit by 1998, was well received by financial markets. Page 16; World stocks, Page 36

European bank wins more funds: The European Bank for Reconstruction and Development won the backing of its 60 shareholders to double its capital base to Ecu20bn ($25.2bn), but member governments made clear they expected this to be the last call for new funds. Page 2; Editorial Comment, Page 15

Germany plans $33bn spending cuts: The German government will this month complete plans to cut public spending by DM50bn ($33.5bn) next year, and create employment after discussions with employers and trade union leaders. Page 3

Swissair decision sparks protest: Some Swiss business have threatened to boycott Swissair if it does not reverse its decision to withdraw nearly all long-haul flights from Geneva. Page 2

Airbus Industrie, the European consortium, and General Electric of the US said they had agreed to study the engines required for an enlarged version of the A340 aircraft, which will carry 375 passengers. Page 5

Britain to hold first war crimes trial:

Szymon Serafinowicz (left), became the first person in Britain to be committed for trial for alleged war crimes. The 85-year-old retired carpenter, born in the former Soviet Union republic of Byelorussia, now Belarus, is charged under the 1991 War Crimes Act with murdering three unnamed Jews in 1941 and 1942, during the Nazi occupation of Byelorussia. Serafinowicz now lives in Banstead, Surrey.

Taiwanese claim plastics breakthrough: A Taiwanese company, KI, claims to have made a breakthrough by producing a commercial plastic with the sought-after properties of high conductivity of electricity and ease of production with potential applications in the electronics and defence industries. Page 16

Time Warner, *the US media group, produced* a 32 per cent rise in cash flow for the first quarter to $899m, after a recovery in cable TV partly offset by weakness in the recorded music business. Page 22; Lex, Page 16

Le Seda makes return: Spain's leading synthetic fibres producer, La Seda de Barcelona, made a triumphant return to the domestic stock market five years after trading in its shares was halted following a decision by Dutch chemicals group Akzo to pull out of its shareholding. Page 19

Steel groups hit by prices slump: Two of the biggest steel manufacturers in the US, LTV and Inland Steel, reported a drop in profits in the opening months of this year following a slump in prices during the second half of 1995. Page 21

Blackmailers threaten to poision food: German authorities said blackmailers had threatened to poison food in stores across Europe with lethal snake venom unless they were given DM400m ($265m) in diamonds.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,562.21	(+29.62)
NASDAQ Composite	1,109.14	(+8.20)
Europe and Far East		
CAC40	2,080.56	(+5.82)
DAX	2,545.94	(+34.16)
FT-SE 100	3,790.5	(+23.7)
Nikkei	21,883.04	(+222.57)

US LUNCHTIME RATES

Federal Funds	$5\frac{5}{16}$%
3-mth Treas Bills: Yld	5.007%
Long Bond	$89\frac{31}{32}$
Yield	6.809%

OTHER RATES

UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	$95\frac{1}{32}$	($95\frac{11}{32}$)
France: 10 yr OAT	104.71	(104.9)
Germany: 10 yr Bund	96.68	(97.63)
Japan: 10 yr JGB	98.34	(98.2)

NORTH SEA OIL (Argus)

Brent 15-day	$22.51	(22.81)

GOLD

New York: Comex		
(Jun)	$395.5	(397.1)
London:		
close	$393.0	(394.15)

DOLLAR

New York: lunchtime		
£	1.5082	
DM	1.51175	
FFr	5.131	
SFr	1.233	
Y	108.435	
London:		
£	1.5078	(1.5113)
DM	1.5104	(1.5037)
FFr	5.125	(5.1045)
SFr	1.2303	(1.2231)
Y	108.375	(108.675)

STERLING

DM	2.2773	(2.2725)
Tokyo close:	Y 108.85	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Cyprus	C£1.20	India	Rs75	Nigeria	Naira80	Spain	Pta250		
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00		
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl5.50	Tunisia	Din1.750		
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80,000		
France	FFr11.50	Lebanon	L£3,000			UAE	Dh12.00		

US commodities trader could face bankruptcy

Moscow operation shut down after 'heavy losses in futures dealing'

By Chrystia Freeland in Moscow and Richard Lapper in London

AIOC, the US commodities trading company, yesterday shut down its Moscow operation after its western creditors pressed it into bankruptcy proceedings.

The company, once a dominant force in the lucrative Russian metals market, is believed to have suffered heavy trading losses in the market for ferro-chrome and other metals.

An involuntary petition for Chapter 11 bankruptcy was filed in New York on Thursday.

According to former employees, senior managers announced on Friday that they would immediately close the Moscow office and that the New York and London offices would be shut down within a month.

At court hearings in New York, an AIOC lawyer said the company had $300m in assets and $350m in liabilities. Russia's fragile banking sector, which is believed to be owed between $40m and $60m, could be hardest hit by AIOC's collapse. AIOC's leading Russian creditors, believed to include Menatep, Vneshekonombank and Toko Bank, would not comment yesterday.

The western creditors seeking to force AIOC into Chapter 11 bankruptcy include Lehman Brothers, Crédit Lyonnais and a subsidiary of Mitsui, the Japanese trading company. Court officials expected further hearings on the case but said that none was currently scheduled.

At AIOC's Moscow offices, which once housed 200 employees and racked up millions of dollars in overheads, telephones yesterday rang constantly before being answered by security guards who said the company had closed its Russian business.

Former AIOC employees and Russian traders said the company had been brought down by futures trades which had gone wrong. Some said AIOC had also been severely weakened by the death of Mr Felix Lvov, an AIOC employee who was shot dead in a gangland-style attack in Moscow last September.

AIOC employees have been defecting to rival commodity traders since the beginning of the year, when serious financial strains began to appear.

Forward contracts in ferro-chrome, a raw material used in the manufacture of stainless steel, are thought to have been a particular problem.

It is understood that forward contracts for 43,000 tonnes of ferro-chrome were bought in the second half of last year at a price of 70-72 cents lb. The price has since fallen sharply and currently stands at 48 cents lb, resulting in estimated losses of $22m.

Calls yesterday to the New York offices of Mr Alan Clingman, the company's chief executive officer, were not returned.

One branch of the company which could emerge relatively unscathed is AIOC Capital, a Moscow-based brokerage.

Israel defies pressure to halt attacks on Lebanon

By Julian Ozanne and Mark Dennis in Jerusalem

A defiant Israel faced mounting international pressure yesterday to end its five-day bombardment of Lebanon which has created hundreds of thousands of refugees and dented Lebanon's economic reconstruction efforts.

Mr Shimon Peres, Israeli prime minister, seeking to build up a tough security image ahead of elections next month, vowed to continue the blitz until Israel had struck a decisive blow against Islamist Hizbollah guerrillas in Lebanon.

"This is an operation of no alternative," he said. "And we will continue this operation until we will be able to assure the [Israeli] residents of the north to return to regular, normal life."

Mr Peres's remarks came as Israeli jets and helicopter gunships continued attacks around Beirut and in the south of the country, blowing up buildings in the capital's Moslem Shia southern suburbs and damaging a power station.

As international envoys made emergency trips to the Middle East, Mr Peres said Israel was not yet ready to negotiate a speedy end to the operation. The blitz, he said, would continue until Hizbollah's ability to continue attacking northern Israel had been severely undermined.

Earlier Mr Rafik Hariri, the Lebanese prime minister, said in Paris that Syria had agreed to revive 1993 ceasefire "understandings" under which Damascus agreed to restrain Hizbollah attacks on Israeli civilian targets if Israel immediately ceased attacks on Lebanon.

Egypt said it supported Lebanon's call for a reinstatement of the 1993 ceasefire but senior Israeli officials said such a move would not be enough to meet Israeli security demands because the 1993 agreement had not been honoured.

However, Mr Peres has steadfastly refused to define specific objectives of the military operation. Instead he has spoken of Israel no longer relying on foreign guarantees about its security – a nationalist rallying cry which Israeli commentators said will help his electoral campaign.

Israel's defiance came as France, Britain and a more reluctant Washington launched diplomatic initiatives to end the conflict.

Mr Hervé de Charette, French foreign minister, arrived in Israel at the beginning of a regional tour last night to meet Mr Peres after French president Jacques Chirac called for a formal ceasefire.

Mr Michael Portillo, the UK defence secretary, in Jerusalem on a trip planned before the flare-up, backed the Israeli attacks, saying Israel had a right to defend its security.

Washington, which remains

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Peres wants good harvest, Page 4
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US secretary of defence William Perry in Tokyo yesterday with Japan's foreign minister Yukihiko Ikeda after the two countries had signed security accords. US president Bill Clinton flies in today for talks with Japanese premier Ryutaro Hashimoto. Report, Page 16 Picture, Reuter

UK farmers to challenge beef ban

By Alison Maitland and George Parker in London and Caroline Southey in Brussels

British farmers' leaders are to mount a legal challenge to the European Union's worldwide ban on UK beef following the admission by Mr Franz Fischler, EU agriculture commissioner, that British beef is safe to eat.

The National Farmers' Union of England and Wales said yesterday: "We had been manoeuvring for a couple of weeks on whether to launch a challenge and his words have tipped us over the top." Senior ministers also said the comments could open the way to a legal challenge by the British government in the European Court.

Mr Douglas Hogg, UK agriculture minister, will set out the government's views on a possible legal challenge in the House of Commons today, when he gives full details of the government's measures to tackle the BSE – or mad cow disease – crisis. Yesterday the cabinet sub-committee considering the issue sanctioned a plan to destroy up to 4.5m older dairy cattle when they reach the end of their productive lives.

But the committee decided that an additional selective slaughter policy of cattle in BSE-infected herds should be much more limited than previously thought.

"It will be sophisticated and targeted on those breeding herds with the highest incidence of BSE," one official said. "We are not talking about the destruction of millions of cattle, or even hundreds of thousands."

Mr Fischler exasperated the UK farming industry and Eurosceptic MPs when he admitted at the weekend that, despite the export ban imposed by the Commission and upheld by EU farm ministers, he "wouldn't hesitate to eat beef in England".

The Commission was unrepentant about Mr Fischler's comments. "The ban cannot be changed until there is a clear plan from the British government on the eradication and control of BSE," a Commission official said. The crisis was triggered by evidence of a possible link between BSE and the human brain condition Creutzfeldt-Jakob disease.

The NFU said it aimed to lodge an application with the High Court next week seeking leave for a judicial review of the government's refusal to grant export licences following the ban agreed by the Commission on March 27.

It will call for the ban to be annulled – on the grounds it is

Continued on Page 16

Brussels calls for European access to AT&T's network

By Neil Buckley in Brussels

The European Commission is calling for Europe's telecommunications companies to be allowed access to the network of AT&T for transatlantic calls.

Such a move is a condition for Brussels approving an alliance between the US telecoms giant and four European operators.

Agreement by AT&T could clear the way for approval of its proposed Uniworld "supercarrier" alliance with the national operators of the Netherlands and Switzerland as well as Sweden's Telia and Spain's Telefónica, officials said yesterday.

The four European states are being asked for guarantees that they will meet the EU's timetable for liberalising their telecoms markets. The request has been sent to Switzerland, even though it is not an EU member.

The Commission's competition authorities have for six months been investigating the four European operators' plans to form a joint venture called Unisource, which would then form the Uniworld alliance with AT&T.

Officials involved in the case have been told by Mr Karel Van Miert, competition commissioner, to seek assurances from the US Department of Justice that AT&T would be required to open up its network for transatlantic calls originating in the US to European telecoms operators other than the Unisource companies. AT&T currently carries more than 60 per cent of such calls.

Uniworld would be a third "supercarrier", competing with the Atlas alliance between Deutsche Telekom and France Télécom, and the Concert alliance grouping British Telecommunications and MCI of the US. Both were approved by the Commission last year.

Uniworld aims to provide the European business market with advanced pan-European telecoms services such as high-speed data transmission, and "virtual private networks", which provide the efficiency and flexibility of expensive leased circuits for the lower costs of a conventional phone call.

While the Commission attached conditions to both the Atlas and Concert deals, this is the first time it has demanded that a non-EU company should open up its network in return for clearing a European alliance.

AT&T said yesterday it was confident Uniworld would be cleared. "If the Commission has concerns, we will reply to them as appropriate," it said. It added it could not comment on requirements to open up its network until it had seen details of the Commission's proposals.

Separately, Mr Van Miert has written to the governments of the four European states with conditions for approving the Unisource venture. In Sweden's case, where the telecoms market is already open to competition, officials said the letter asked for a "progress report" on liberalisation.

The other countries are being asked to undertake to meet the EU timetable of July 1 this year for liberalisation of "alternative" communications networks, such as cable television networks and those set up by railways.

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Europe's biotech industry expands by 20%

By Clive Cookson in Amsterdam

The European biotechnology industry grew by 20 per cent last year, both in the number of companies and in total revenues, and is beginning to narrow the gap with its much larger US counterpart, according to the third annual report on the industry by consultants Ernst & Young.

It shows that the UK is still Europe's largest site for entrepreneurial biotechnology, with more companies than France and Germany combined. The report says this is partly because the London Stock Exchange provides easier access to public equity than its continental counterparts.

The vast majority of Europe's 584 biotech companies are small and privately owned. Only 28 are public companies – and 26 of these are UK-based.

Mr Bill Pike, head of Ernst & Young's UK biotechnology practice and co-author of the report, says that between 10 and 20 continental companies are considering a public flotation over the next year or so. Examples include Genset and Transgene of France and MorphoSys of Germany.

They are weighing up several alternatives: the London market; their own local exchange; Nasdaq in the US; and Easdaq, the proposed Europe-wide counterpart of Nasdaq.

Mr Pike suggests that London may miss the opportunity to draw in more European biotechnology companies. "London has not marketed itself very well so far to continental European companies," he says.

The report – presented to the European Life Sciences Conference in Amsterdam last night – forecasts continued growth of about 20 per cent in the European industry this year and again in 1997.

One significant development, which Ernst & Young expects to occur this year or next, is the first takeover of a European biotechnology company by a large pharmaceutical company.

"This would help to underpin the market value of biotech shares," Mr Pike says. Several US biotech companies have been bought in this way.

European pharmaceutical groups have made a huge contribution to the development of biotech in the US, the report says. In 1995 they invested Ecu3bn ($3.75bn) in US companies through acquisitions and alliances.

They are just beginning to make similar investments in European biotech companies, though on a much smaller scale. Pioneering Europe-to-Europe deals in 1995 included Zeneca's partnership with Celltech and Novo Nordisk's with PPL Therapeutics.

At the same time, large US pharmaceutical groups are beginning to look for European biotech partners, the report says. Pfizer has been the most active so far.

Ernst & Young sums up 1995 as "a dramatic year in which European biotech companies have become full participants in the global industry".

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'Last call' for new funds to be spread over 12 years to ease impact on national budgets

EBRD wins approval for doubling of capital base

By Kevin Done, East Europe Correspondent, in Sofia

The European Bank for Reconstruction and Development yesterday won the backing of its 60 shareholders to double its capital base to Ecu20bn ($25.2bn), but member governments made clear they expected this to be the last call for new funds.

The EBRD has also agreed to requests from some shareholder governments – the US, Britain and Canada among them – that it should begin preparing a policy for the eventual "graduation" of the most developed central and east European countries from its region of operations.

The new capital base will allow the bank to increase lending to assist the process of transition to open market economies in central and east Europe to around Ecu2.5bn a year by 1999.

"We are agreeing the first – and we expect the last – increase in the bank's capital," said Mr Kenneth Clarke, the UK chancellor and British governor of the EBRD.

Mr Jacques de Larosière, the bank's president, said that, with the additional funds and with a rotation of its rapidly growing portfolio of loans and equity investments, "the bank should be in a position to sustain its activities in the future without having to approach its shareholders again".

The injection of new capital is to be spread over 12 years to ease the impact on national budgets. Only 22.5 per cent will be made in a combination of cash and promissory notes. The rest will be as "callable shares" – effectively a guarantee from governments to allow the bank to borrow on the international capital market.

The US, the largest single EBRD shareholder with a 10 per cent stake, will pay payments of Ecu225m between 1998 and 2009.

The bank has 60 shareholders: 58 governments and two institutions, the European Union and the European Investment Bank. Bosnia-Hercegovina was admitted at the weekend as the latest member.

The calls to prepare a policy on graduation are creating some concern among countries in central Europe. They fear the bank will increasingly focus its activities further east, on the countries of the former Soviet Union.

Western governments were at pains yesterday to stress that the question of graduation was still a long way off, even for the most advanced countries in central Europe, and that the EBRD would also play a very important role in helping countries prepare for entry to the European Union.

But Mr David Lipton, assistant secretary for international affairs at the US Treasury, yesterday told the EBRD annual meeting: "Immediate adoption of a graduation policy should be a high priority. The transition process by definition is not permanent. Graduation must happen."

The bank should tailor support to each country's progress in transition "phasing out operations that can be picked up by the private sector", said Mr Lipton.

Graduation should not mean that countries were "totally cut off at an arbitrary date", but it should mean "resisting the temptation to finance projects that can be taken over by the private sector".

The US, with backing from Britain and Canada, is insisting that the EBRD have a policy of "phased graduation" with clear criteria that can be monitored. Preliminary work on developing such criteria has been started, and Mr de Larosière said yesterday a policy paper would be delivered to the board by the end of the year.

Changes were already taking place in the EBRD's activities in the more advanced countries, he said, as the bank "graduated" from certain sectors. But he strongly ruled out any moves to withdraw from individual countries in the near future.

"This does not mean that the graduation of even the most advanced of our countries is imminent. No country is that far yet," he said. Graduation would be "the ultimate test of the success of the reforms".

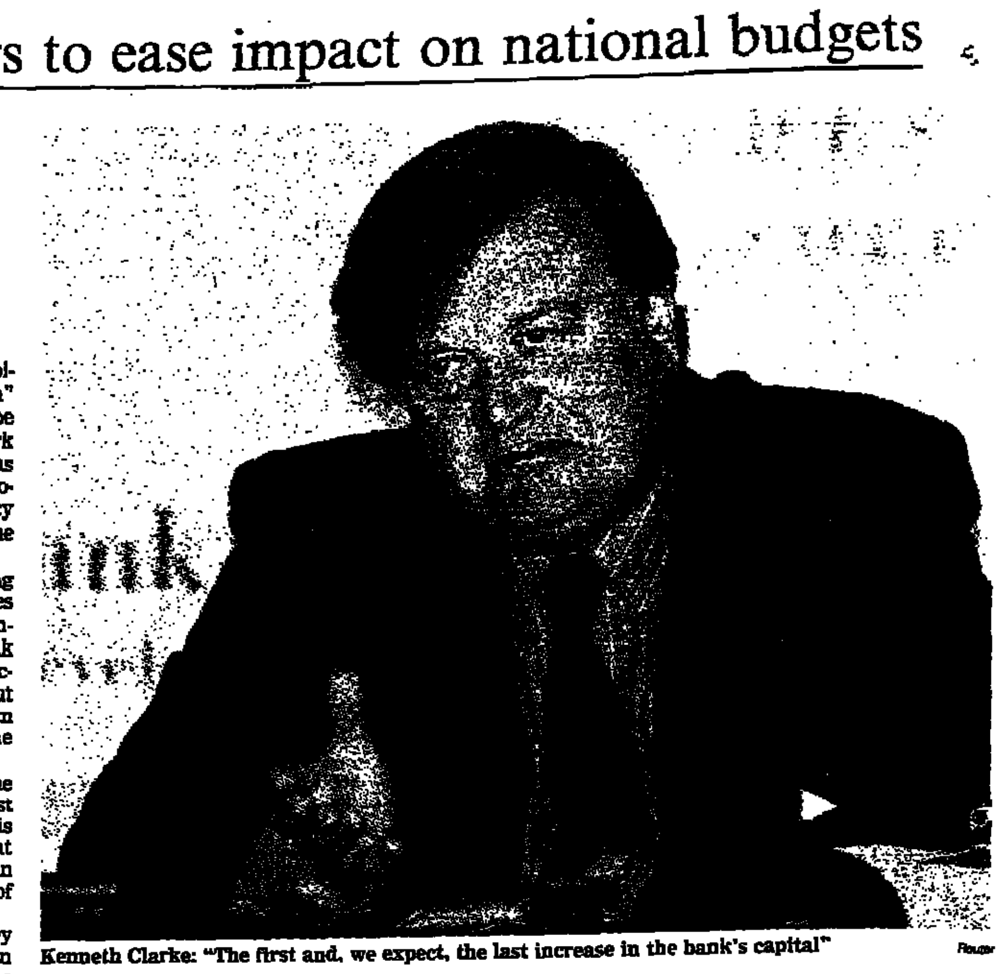
Recent figures produced by the European Commission show that Slovenia, the Czech Republic, Hungary and Slovakia have the highest gross domestic product per capita in east Europe in terms of purchasing power.

But they are still below the lowest ranked EU country – Greece – and Hungary and Slovakia are only at a quarter of the level of such countries as the US and Switzerland.

Bank officials say criteria for graduation will concern most importantly the level of development of an open market economy in each country, and crucially the development of the capital market. For a long time to come private capital is expected to shun essential transition investments because of the level of risk involved.

"Even in the Czech Republic it is hard to get equity finance and long-term finance," said one senior official. "It will take time to develop strong Czech corporate governance." Even in the more advanced countries in the region large-scale investment in an infrastructure neglected during the long decades of communism was only at an early stage.

Export slowdown, Page 5; Editorial comment, Page 15



Kenneth Clarke: "The first and, we expect, the last increase in the bank's capital" Reuter

Bulgaria promises reforms in plea for financial help

By Kevin Done and Teodor Troev in Sofia

Bulgaria's prime minister, Mr Zhan Videnov, appealed to the international community yesterday to help his country overcome its acute financial problems in the face of shrinking foreign exchange reserves and imminent heavy foreign debt repayments.

In a speech to several thousand delegates at the annual meeting of the European Bank for Reconstruction and Development in the Bulgarian capital, Mr Videnov promised a package of urgently needed reforms aimed at kick-starting the country's flagging reform effort.

Bulgaria is in intensive negotiations with the International Monetary Fund and the World Bank on a new stand-by arrangement and loans for financial and enterprise restructuring. But western officials remain sceptical about its real commitment to restructuring and reforms leading to an open market economy.

In a belated effort to win western support and to head off fears of a possible default on Bulgaria's foreign debts, Mr Videnov promised a programme to accelerate privatisation and to close more than 100 loss-making state enterprises.

The failed companies accounted for some 20 per cent of the losses currently being accumulated in the state sector, he said.

More companies, representing around 60 per cent of the loss-makers, would be restructured in a programme that would cost around $300m in the first phase.

The government had agreed a scheme for rehabilitating the country's beleaguered banking system, which western officials believe to be burdened by a loan portfolio containing much more than 50 per cent of bad debts.

Mr Videnov said that a clear timetable had been presented to the IMF in recent days for a programme to halt the decapitalisaion of the banks, to strengthen supervision, and to consolidate the sector with the help of foreign investors.

The first phase of this programme would cost $500m-$550m.

To accelerate privatisation Mr Videnov said the government was planning to offer for sale a 30 per cent stake in the Bulgarian telecommunications utility, as well as stakes in Sodi, one of the country's biggest chemicals companies, and in one of the leading electricity utilities.

Cracks in Spain's labour monolith

A car-parts factory in the industrial hinterland of Barcelona made the running. In February, Estampaciones Sabadell reached a deal with employees at one of its plants on the circumstances under which it would be entitled to sack them.

It was the first known pact of its kind in Spain. Other employers in the region now look to similar agreements as a way out of a vicious circle. Notoriously, Spain is one of the European countries where it is hardest and most expensive to fire people, and at the same time it has become the country with the highest unemployment in the European Union – an official rate of more than 22 per cent, twice the EU average.

The Catalan employers' body, Fomento del Trabajo Nacional, has been negotiating a framework accord with the two main trade union federations, providing for the drawing-up of specific redundancy clauses.

Mr Joan Rosell, its president, says the proposed deal promises to overcome the biggest competitive handicap facing local manufacturers – and one of the main arguments cited by multinational companies against investing in Spain.

The workers' side of the bargain is the prospect of more permanent contracts, instead of the fixed-term hirings that have proliferated in recent years. "The final result would be to increase the number of jobs," Mr Rosell says. "This is definite. It is pure mathematics."

The northeastern region, he believes, is setting an example that the rest of Spain will eventually follow. Catalonia's large and diversified industrial sector is dominated by small and medium-sized companies, often family-controlled. In many cases, he says, they face a stark choice between restructuring and closure. "In these small companies, they see the problem every day."

Redundancy conditions are a political hot potato in Spain. The centre-right Popular party, which is set to form the next government, swore in its election campaign it had no plans for changing the rules. The outgoing Socialist government was equally wary after belatedly tackling the labour reform issue two years ago; with the country reeling from recession, it braved a one-day general strike to introduce new legislation, including partial easing of redundancy procedures.

Among other changes, the 1994 reform allowed companies to cite organisational and production-related reasons for adjusting their workforces, in addition to the technological and economic grounds already considered legally admissible. But, as before, if a company fails to persuade a judge that dismissals are justified it faces paying compensation at a rate of 45 days' wages per year of seniority, up to a maximum of 42 months' pay, the highest statutory figure in the EU.

Redundancies accepted as legitimate carry compensation at less than half that rate – 20 days per year of employment, with a cap of 12 months' pay. In practice, however, employers can never be sure what restructuring will cost. Judges interpret the rules in different ways. Rather than go through the long legal process, many companies prefer simply to pay the higher rate. Although statistics are lacking, average settlements are reckoned to have remained relatively high. A recent report by the Organisation for Economic Co-operation and Development describes Spanish severance packages as "among the most generous in the OECD".

The Catalan plan would commit workers to accepting the standard rate of compensation under mutually agreed circumstances, in exchange for giving long-term prospects for employees currently on temporary contracts of three years or less.

The latter, introduced 12 years ago, now account for about 37 per cent of all jobs, according to Mr Rosell. Not only are Spanish unions clamouring to stem this trend. The Popular party, in its victorious election campaign, put "promoting stable employment" at the top of its manifesto.

At Estampaciones Sabadell's plant at Polinyà, management agreed with the works committee to turn 75 temporary contracts into permanent jobs. But the contracts would be rescinded if sales fell, or were forecast to fall, by 20 per cent.

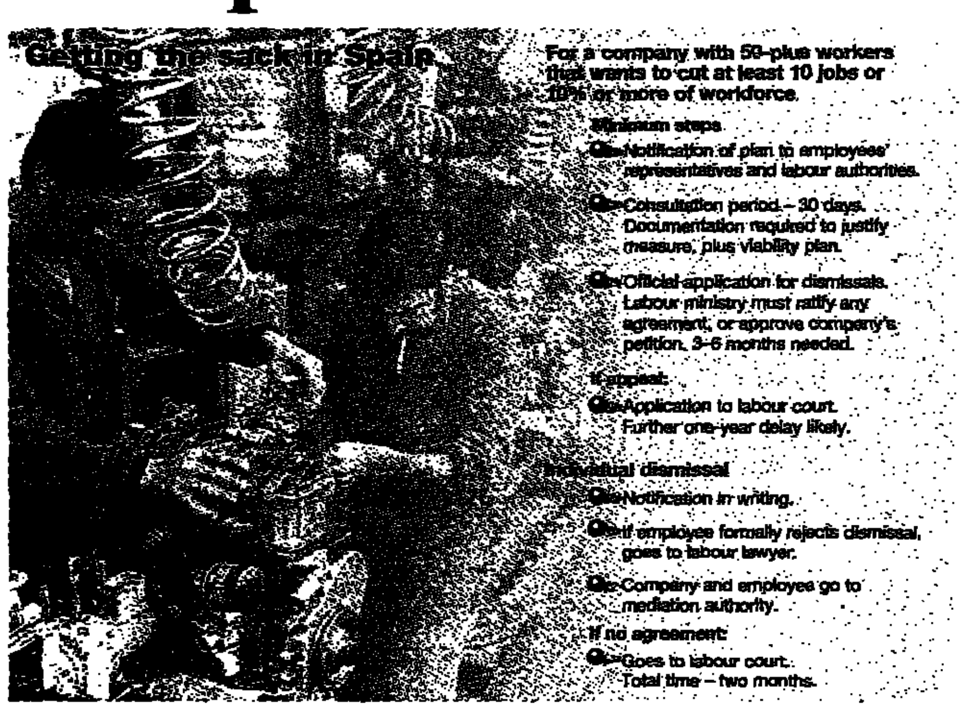
Mr Rosell says a basic agreement has been reached in Catalonia on this kind of trade-off. Unions, while still arguing about the final text of an agreement, have accepted the idea of a joint employer-union committee, to look into the setting of "objective grounds" for dismissals and report in three months. Actual conditions would be negotiated sector by sector.

The Spanish union movement is divided on the approach. At national level, unionists are generally suspicious of any measure to ease dismissals. But the metalworkers' branches of the main unions in Catalonia have proposed a deal on just these lines.

According to Mr Rosell, about a dozen companies have now reached their own agreements, although he says they are taking a risk since there is currently nothing on the statute books to back up the agreements.

A change in labour legislation would be needed "in the medium-term", he argues. But in the meantime it is easier to achieve results through agreement. In this, Fomento's approach to easing labour rules diverges from that of the nationwide CEOE employers' federation, to which the Catalan grouping belongs. But Mr Rosell is confident that Catalan industry and unions can show the way, as they did in 1992 with an agreement on a regional conciliation and arbitration tribunal, precursor of a Spain-wide strike-avoidance pact signed in January this year.

He says the change would be "a very important step towards making companies viable rather than closing them". The effect would be to bring Spanish labour rules into line with other EU countries. "It would stop chairmen of foreign companies coming and saying that there are two problems in Spain – too rigid labour regulations and the cost of redundancies."



David White details moves to ease the country's labyrinthine procedures for dismissing staff

EUROPEAN NEWS DIGEST

Study reveals Yeltsin backlash

More than half of Russians believe President Boris Yeltsin should resign and fewer than 20 per cent think he should be running for re-election, according to a recent study by the UK's Centre for the Study of Public Policy at the University of Strathclyde.

The report also shows that three-quarters of respondents blame the current government for Russia's economic ills, while only 36 per cent believe the former communist regime is at fault.

Although Mr Yeltsin, who is a contender in the June 16 presidential ballot, has been steadily rising in public opinion polls, this study suggests an underlying hostility towards him. The Russian leader yesterday stepped up his attempt to counter the public perception with a fresh package of populist social welfare measures, including the doubling the minimum monthly pension. Today he is expected to announce hefty support for the agricultural sector. *Chrystia Freeland, Moscow*

Russia claims Chechnya pullout

Russian officials said that some interior ministry troops yesterday pulled out of Chechnya in the first sign of a promised partial withdrawal of Russian forces from the rebellious region.

Russian state television reported yesterday that two battalions of the troops had been withdrawn from positions in north-eastern Chechnya and were returning to barracks in Siberia. Over the weekend, Lieutenant-General Vyacheslav Tikhomirov, the commander of Russian forces in Chechnya, promised that he would begin to withdraw his soldiers.

Chechen and Russian observers were sceptical about the promised withdrawal – part of Russian President Boris Yeltsin's campaign for re-election – and said it was unlikely to bring an end to the war in Chechnya, which has dragged on for 16 months and taken some 30,000 lives. *Chrystia Freeland*

Call to boycott Dutch over drugs

Some 72 deputies and senators belonging to France's ruling centre-right coalition have signed a petition urging the government to boycott Dutch goods until the Dutch government toughens its legislation on drug use.

Mr Jacques Myard, the Gaullist deputy organising the petition, yesterday complained of a four-fold increase in the overall quantity of Dutch-origin drugs seized along France's northern and eastern borders in the first 11 months of last year. He claimed a commercial boycott was the only way to draw the Dutch public's attention to the problem.

In a partial implementation of its Schengen convention commitment, France last month relaxed frontier controls on its borders with Spain and Germany, but retained checks on borders with Belgium and Luxembourg which partner the Netherlands in the long-standing Benelux free-travel zone. The French government is unlikely to respond to the boycott call but it may seek EU harmonisation of anti-drug policies to overcome Dutch resistance. *David Buchan, Paris*

Poland's currency reserves soar

Poland, which had hoped to cap the growth of its net foreign currency reserves at a total of $3.8bn this year, has seen reserves grow by $1.7bn in the first three months, said Mr Witold Kozinski, deputy head of the central bank.

He said net reserves of the banking system, which stood at $22.3bn at the end of last year, could grow by as much as $5.5bn this year. Mr Kozinski also said the central bank sees no grounds for lowering interest rates nor for a revaluation of the zloty against a basket of currencies of Poland's main trading partners.

Over retail prices, spurred by a 2.3 per cent increase in the cost of food items, rose in March by 1.5 per cent on the previous month. Prices have risen by 6.6 per cent since the beginning of the year. The government has forecast a full-year rise of 17 per cent. *Christopher Bobinski, Warsaw*

■ Producer prices in Spain were 2.7 per cent higher in February than in the same month last year.

■ Belgium's seasonally-adjusted industrial production index rose to 96.6 points in September from 96.3 in August and 94.1 a year earlier.

Swissair flies into storm over Geneva

By Thierry Meyer in Zurich

A decision by Swissair to withdraw nearly all long-haul flights from Geneva has provoked a political row in Switzerland. Some businesses have threated to boycott the national carrier if it does not change its mind.

The Swiss federal government has expressed its "regret" and even the Zurich canton (state) parliament has called for the decision to be changed in the interests of national unity. The protests have highlighted tensions between western, French-speaking Switzerland, where Geneva is the dominant city, and the German-speaking east, centred on Zurich.

The company, expected to report operating losses of about SFr170m ($140m) when it publishes its 1995 accounts tomorrow, plans to switch 13 of its 15 long-haul services to Zurich. Only services to Washington and New York will continue to operate from Geneva. It reckons to save SFr50m a year and promises a Zurich-Geneva shuttle service to help connections. This is the latest in a series of measures by Mr Philippe Bruggisser, the airline's new chief operating officer, to save SFr500m yearly.

Mr Jean-Philippe Maitre, economy minister in the Geneva canton government and president of the Geneva Airport Authority, has resigned from Swissair's board in protest. Another Geneva minister, My Guy-Olivier Segend, has said Swissair's decision "could jeopardise the country's unity".

Multinational companies based in the Geneva region have also protested. Mr Andreas Gembler, president of Philip Morris for central and and eastern Europe, the Middle East and Atrica, has promised to "look for alternatives to Swissair".

Mr Marc Schriber, chief executive of Du Pont's European headquarters in Geneva (which says it buys more than SFr70m worth of Swissair tickets each year) said: "We will not hesitate to go to Paris and London instead to Zurich if necessary." Swiss giant Nestlé, which is based at Vevey near Geneva, said Zurich was "no alternative to convenient, congestion-free Geneva".

The first long-haul flights from Switzerland were operated out of Geneva, some designed to meet the needs of United Nations agencies, the Red Cross and other international bodies headquartered there. Swissair claims all the long-haul flights it is withdrawing lose money.

Swissair's capital is 80 per cent privately owned, with 20 per cent in the public sector. Its decision has prompted some politicians to call for the airline to have its privileges as national carrier reduced.

Italian dream salesmen reach out to wary voters

Silvio Berlusconi, Forza Italia leader; Massimo D'Alema, head of the leftwing PDS; and Gianfranco Fini, National Alliance leader AP

ITALIAN ELECTIONS April 21

Italian voters used to identify exclusively with parties. But the campaign for the general election on Sunday marks a shift of emphasis to personalities. This is a product both of the increasing personalisation of politics through the television screen and of the inability of the parties to present credible policies.

Thus, in the run-up to the poll, the appeal of the personalities of the leading contenders in the two broad alliances of the centre-left and the right could well determine the votes of the undecided.

The most enigmatic personality in electoral terms is Mr Romano Prodi, the Bologna economics professor and former head of Iri, the state holding company, who a year ago was recruited to lead the centre-left's "Olive Tree" alliance. He represents the moderate Roman Catholic vote with a social conscience that formed the left of the old Christian Democrat party.

The absence of any formal party links gives him a "clean" political image but also places him at a disadvantage. The lack of a party base forces Mr Prodi to operate within the shadow of the Party of the Democratic Left (PDS), successor of the former Communist party and the dominant partner in the Olive Tree alliance.

Such dependence upon the PDS has weakened his leadership credentials. Mr Prodi has been handicapped by his poor public manner and mumbled form of speech. Yet his undoubted honesty has helped him and lately he has made a virtue of his discomfiture on television.

The main problem for Mr Prodi is the uncertainty over whether Mr Massimo D'Alema, the PDS leader, wants to have him as prime minister. He himself said he would only accept the job in the event of a clear Olive Tree victory.

His main rival is Mr Lamberto Dini, the caretaker prime minister. Mr Dini has established his credentials as an astute political operator over the past year and his decision to fight the election owes much to his view that Mr Prodi has failed to cut a big enough figure in the centre-left alliance.

But Mr Dini has overcome two problems. The first concerns his image as an outright opportunist guided by enormous personal ambitions and little principle. In just under two years, he has moved from being recruited from the Bank of Italy to be treasury minister under the government of Mr Silvio Berlusconi, founder of Forza Italia, in 1994 and from then to allying with the centre-left against his former friends on the right.

The last few months in power have seen him give electoral sops to a good many powerful sectorial interests (the last being journalists who organised a strike against him during the opening of the Turin intergovernmental conference).

Mr Dini formed his own party, Dini Italian Renewal, two months ago and has kept his distance from the Olive Tree by fighting the 25 per cent of the seats in the proportional system on his own. This gives him the potential advantage of offering himself as leader of a new centrist bloc after the election.

But he must obtain 4 per cent of the vote nationally to be eligible for proportional seats. And here is his second problem. If he fails to get this percentage, he will damage his chances of playing a pivotal role within the centre-left.

The key figure on the centre left remains Mr D'Alema. Having won the leadership of the PDS after Mr Achille Occhetto resigned in the wake of the 1994 general election defeat, he is still to win his spurs. If the PDS fares badly and the centre-left fails to prevent a clear rightwing victory, Mr D'Alema could well be forced to step down.

One of this election's novelties is the way Fini has supplanted Berlusconi, pulling the former prime minister's Forza Italia further to the right

The question mark over his continued leadership explains his cautious approach to the elections and the low-risk policy platform. He has grown in stature during the campaign but he has still not fully shaken off the electoral liability of his links to the Communist past. This excludes him in the short term from the premiership.

His position has its parallel on the right with the position of Mr Gianfranco Fini, leader of the National Alliance (AN). Because of the AN's direct link to the fascist heritage of the Mussolini era, Mr Fini cannot easily present himself as the rightwing alliance's candidate for government. However, the superior political skill and organisation of the AN has helped Mr Fini gradually challenge the leadership of Mr Berlusconi.

Indeed, one of this election's novelties is the way Mr Fini has supplanted Mr Berlusconi. He now sets the agenda and dictates policy, pulling Mr Berlusconi's Forza Italia more to the right. Mr Fini thinks fast on his feet, has an impish sense of humour and comes across forcefully on television.

But the campaign has also exposed his feeble knowledge of economics and his party's lack of intellectual depth.

If the AN obtains more votes than Forza Italia, this will be a humiliation for Mr Berlusconi. Having been the political star of 1994, his fortunes have been on the wane since being ousted from the premiership in December of that year. He remains dogged by judicial problems. He has also failed to resolve the conflict of interest with his ownership of three commercial TV channels.

But in electoral terms these two issues probably count less than him having lost that indefinable quality of being a winner. His once so successful television performances look over-polished like his unnatural suntan. This time round as a seller of dreams – more jobs, less taxes – he is up against a more sceptical public.

The moderate voters who wanted change in 1994 may look elsewhere, while those on the right who admired him will switch to Mr Fini. The fact that he is on trial for corruption could prove an irremovable obstacle to recouping the premiership, underlinging the depth of the problem faced by the right in finding a suitable candidate for this job.

Robert Graham

Kohl moves forward on big spending cuts

By Peter Norman in Bonn

The German government will complete plans by the end of this month for cutting public spending and creating employment after discussing the measures with employers and trade union leaders, Chancellor Helmut Kohl's office announced yesterday.

The Free Democrat party (FDP), the junior member of Mr Kohl's governing coalition, yesterday said that Mr Theo Waigel, the finance minister, was seeking savings of DM50bn ($33.5bn) next year, to be shared by the federal government, the German states and local authorities.

Commenting after Mr Kohl's five-hour meeting on Sunday evening with senior ministers and leaders of the coalition parties, Mr Hermann Otto Solms, the leader of the FDP group in the Bundestag, the lower house of parliament, said the talks showed that the coalition was united behind the planned savings measures. But Mr Solms gave no details of the government's plans.

Complex matters had to be discussed with experts and representatives of the trades unions and employers to ensure that the final package was not simply an austerity programme but created the conditions for more investment and jobs, he said.

The coalition's parliamentary groups will discuss progress today ahead of a new round of talks between Mr Kohl and leaders of the trade unions and employers federations on April 23. The involvement of the employers and trade unions in the decision-making process is deemed essential because many of the social policy measures to reduce non-wage labour costs will have to be implemented through collective bargaining agreements rather than through legislation.

Writing in yesterday's Die Welt newspaper, Mr Waigel said structural reforms in Germany's social system and labour market were "overdue". He promised a "targeted" attack on the nation's economic weaknesses.

Mr Waigel said Germany's generous sick pay system, which costs companies an estimated DM60bn a year, must be reviewed. It is thought the coalition is considering linking an individual's sick pay to the basic wage, rather than wage, overtime and other benefits, to cut costs and reduce incentives for absenteeism. Other possible cost savings include raising the retirement age for women to 63 from 60.

The government came under pressure yesterday to bring forward planned reforms of Germany's inequitable and complex income tax system. In a joint statement, the tax officers' trade union, the civil service federation and the blue-collar wing of Mr Kohl's Christian Democrat Union urged a radical tax reform with sharply lower tax rates that would be financed by the removal of tax privileges.

NEWS: INTERNATIONAL

Peres wants good harvest from grapes of wrath

Electoral considerations apart, Israel's latest campaign against Hizbollah is also aimed at resetting the agenda for peace exchanges with Syria, writes Mark Dennis

Israel is treading familiar ground with the latest attacks in its 18-year string of assaults on Lebanon.

The stated goal is the same: to secure Israel's northern settlements from strikes by guerrillas. For more than a decade, the protagonists have been the same: Israel and Hizbollah, along with its Syrian and Iranian patrons. And the hapless victims are the same: hundreds of thousands of mostly poor Shi'ite Moslems in the south, forced once again to flee Israeli bombardment.

But Operation "Grapes of Wrath", as Israel has called its latest retaliatory campaign, was born out of a situation that holds crucial differences from the last intensive strike in 1993.

While Israel's official goal of halting Hizbollah's threat stands, the operation is just as important a message to the Israeli electorate, a revitalised Lebanon and Syria, the last significant missing link in a comprehensive Arab-Israeli peace.

With "Grapes of Wrath", Israel is not only looking to change rules of engagement with Hizbollah, set after the 1993 bombardment, but to reset the agenda of stalled peace exchanges with Syria.

And on the domestic level, Prime Minister Shimon Peres is trying to finally win an election. In 1993 there were no Israeli elections looming, the peace process had yet to get off the ground, and Lebanon was still emerging from its 1975-1990 civil war.

In order to win the May 29 elections and continue his vision of peace and a new Middle East, the dovish Mr Peres is seeking to change his image of vulnerability on issues of security and portray one no less hawkish than his challengers in the rightwing Likud party. His first measure towards this end was the closure of the West Bank and Gaza in the wake of a string of suicide bombings. His latest step has been Operation "Grapes of Wrath".

Well before the bombings, Hizbollah had increased its attacks inside Israel's self-declared security zone in south Lebanon and stood by its promise to send Katyusha rockets into northern Israel if Israel killed or wounded Lebanese civilians. Renewed attacks at the beginning of March, just after the last suicide bombing, made large-scale Israeli retaliation almost inevitable.

Lebanon has always been a place where Israel could vent its frustrations with relative freedom from international restraint and Hizbollah's increased activity provided Mr Peres with the pretext.

Mr Peres has said the attacks will continue until Lebanon and Syria rein in the increasingly potent Hizbollah. For Israeli officials to emphasise that Lebanon must control Hizbollah is a departure from the past, when it called only on Syria to do so. It is now holding the Lebanese government responsible for Hizbollah's actions.

Under the leadership of Mr Rafik Hariri, Lebanese prime minister, Lebanon has finally begun rebuilding the economy and infrastructure devastated by the civil war. Billions of dollars have been invested in the country towards the fulfilment of Mr Hariri's vision of re-establishing Lebanon as a financial centre in the Middle East.

While Operation "Grapes of Wrath" has not destroyed these gains, with its strikes Israel has emphatically told the Lebanese leadership that Beirut, as well as the inhabitants of the south, will pay a price.

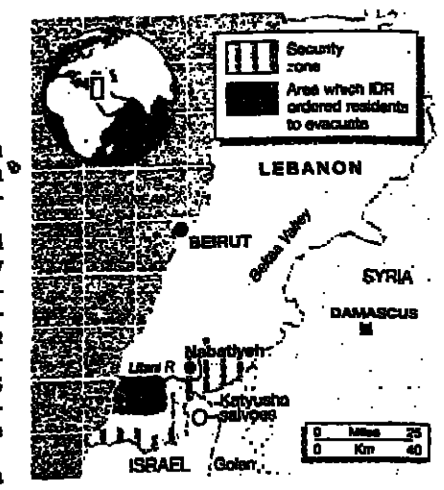
The Lebanese capital has been targeted for the first time in more than a decade. Israel has sealed Beirut's port, while hundreds of thousands of refugees have been forced to flee toward the city. Among other targets, Israel has hit an electricity sub-station near Beirut in a message that it can damage Lebanon's economic infrastructure at will.

"We've reached a point where Hizbollah was acting in total freedom from the Lebanese government," said Mr Uri Lubrani, the architect of Israel's Lebanon policies. "This is the price and the message is: Enough is enough."

But any message to Lebanon is also a message to the main player across the table from Israel: Syria, which dominates Lebanon and has 35,000 troops stationed there. Hizbollah is a significant force in domestic Lebanese politics but seen in Jerusalem as essentially a pawn in Israeli-Syrian relations.

"Syria seems to have turned off the red light on Hizbollah, allowing it to act freely in its confrontation over the Israeli occupation of south Lebanon," says Mr Marwan Bishara, director of the Jerusalem Council of International Affairs. "By widening its attacks on Lebanon, Israel is really sending a message to Syria to reconsider what it deems as stubbornness in the negotiations."

By holding out for better terms with Israel than its Arab neighbours have so far reached, Syria – Israel feels – risks isolation. Recent Israel-Turkey security pacts and the stationing of a US airbase in Jordan have reinforced that isolation. That Syria has remained relatively quiet as Israel attacks Lebanon is a sign that for the moment the peace process remains a strategic objective for Damascus.



The question now is whether Israeli strikes, together with the prospect of international diplomacy, will lead it to clamp down on Hizbollah, creating new grounds for Israeli-Syrian negotiations, or whether continued attacks will backfire, creating an unbridgeable gap between Syria and the Lebanese people.

ANC to deploy top people in private sector

By Roger Matthews in Johannesburg

The African National Congress, which dominates the South African government, has taken a strategic decision to deploy more of its top personnel in the private sector in an attempt to widen the struggle against the legacy of apartheid.

This was disclosed yesterday by Mr Cyril Ramaphosa, secretary general of the ANC, who announced at the weekend he was leaving parliament to become deputy executive chairman of the black-owned group New Africa Investments Limited (Nail). Mr Ramaphosa said in an interview with The Sowetan, a daily newspaper controlled by Nail, that it was President Nelson Mandela and the ANC leadership who had decided the move.

He said the decision "demonstrates how seriously the ANC is taking the economy. We are focusing on the economy as a key arena of struggle, with the aim of completely transforming South African society".

Nail, headed by Dr Nthato Motlana, is putting together a consortium of black-owned companies and trade unions to bid for the 48 per cent stake in Johnnic, the industrial group, owned by Anglo American, South Africa's largest conglomerate.

Mr Ramaphosa was formerly leader of the National Union of Mineworkers and said his ex-colleagues were excited about his involvement in the bid for Johnnic. "The beauty of this is that the unions are coming together with black business to play an important role. I see this as the beginning of a shift in the way the economy is run.

It should no longer just be the prerogative of white business to play the key role in the economy," he said.

Mr Ramaphosa said Johnnic was important as one of the key potential vehicles for black empowerment. "It is important that blacks should position themselves to bid for, and have a stake in, an entity like Johnnic. It is far too important an opportunity to be ignored.

> 'The beauty of this is that the unions are coming together with black business to play a key role'

"After the success of the political struggle, I see this as an attempt to play a role in that area of struggle for the benefit of our people and our country."

Mr Mandela, who had earlier vetoed a suggestion from Mr Ramaphosa that he should leave parliament, said he had changed his mind because of the opportunity to cement the relationship between, on the one hand, the ANC and government, and, on the other, business, unions and the rest of society.

Mr Ramaphosa will remain secretary general of the ANC. Although his move into the private sector acknowledges that Mr Thabo Mbeki, the deputy president, is likely to succeed Mr Mandela in 1999, Mr Ramaphosa has not ruled out a return to full-time politics.

Egypt about to wage war on illiteracy

The Egyptian cabinet is examining plans for a campaign to wipe out illiteracy by the end of the century – as part of wide-ranging educational reforms and efforts to reclaim schools from Islamic fundamentalist influence.

President Hosni Mubarak two years ago defined the dilapidated state of Egyptian education as "a problem of national security".

He is likely to give his blessing to the campaign, the scale of which recalls the "literacy crusades" launched by Cuba and Nicaragua in the 1960s and 1980s.

By conservative estimates, 52 per cent of Egyptians are illiterate. Among women, the figure is higher: 70 per cent.

Mr Hussein Kamel Baha'a el-Din, Egypt's activist education minister, says what is under discussion is to teach 4.5m people a year to read and write and thereby "abolish illiteracy by 2000."

The idea is to recruit 150,000 university graduates as teachers responsible for 30 illiterates each a year.

Mr Baha'a el-Din wants a special budget of about E£600m ($176m) a year to pay these "trainers", many of whom would come from Egypt's large pool of unemployed graduates. "It will have to be a national campaign" mobilising people across the country to succeed, he says.

"It's just a question of mobilising people at the grassroots level and getting them excited," says Dr Heba Handoussa, head of the Economic Research Forum, which is backed by the World Bank. "It costs next to nothing".

Since Mr Baha'a el-Din, a distinguished paediatrician, took over the ministry in 1991, nominal spending on education has risen from 9 to 16 per cent of public expenditure.

Investment has nearly quadrupled, from E£2.6bn to E£11.6bn a year, with 5,500 new schools built – more than in the previous 40 years.

But spending per capita on education, at $25 a year, is very low even by developing country standards and poor results have frightened Egypt's rulers into a comprehensive review.

"Ultimately, in the 21st century, what is going to make or break this country is education," says Mr Youssef Boutros Ghali, minister of state for economic affairs.

The literacy effort is of a piece with educational reforms aimed at raising standards and, in Mr Baha'a el-Din's words, "immunising" Egyptian schools from Islamic fundamentalism.

Egyptian security has the upper hand against Islamic militants fighting to overthrow the government.

But fundamentalism has seeped into society over the past two decades via the more mainstream Moslem Brotherhood's influence in schools, universities and a parallel welfare system, and through the government's reliance on a conservative religious establishment to outflank the Islamists.

"The fundamentalists had taken control of our schools," says Mr Baha'a el-Din. "This was a real crisis."

He has transferred more than 1,500 Islamicists from teaching duties, attempted to ban the veil in girls' primary schools and to secularise the curriculum, and started sending teachers for training in the US, UK, Germany and France.

Most crucially, the ministry is attempting to replace rote learning with active learning, partly by the gradual introduction of computers, working upwards from the primary school system after a long period of relative over-investment at university level.

"We want to emphasise active skills rather than passive knowledge," the minister says. "Those who are accustomed to critical and analytical thinking will always be suspicious of such [fundamentalist] ideas."

David Gardner

Hosni Mubarak: education 'a problem of national security'

INTERNATIONAL NEWS DIGEST

Israeli pilots train in Turkey

Israeli jets have begun training flights at a Turkish air force base, under a military exchange accord condemned by much of the Moslem world as a betrayal of solidarity against the Jewish state. Turkish military officials said eight Israeli F-16 trainer aircraft and their crews arrived at the Akinci base near Ankara on Sunday.

Syria, Iran, Egypt and Turkey's main opposition Islamist party have reacted angrily to the accord. Egypt has warned that military co-operation between Turkey and Israel would lead to instability and possibly war in the Middle East.

Israeli technicians are to upgrade more than 50 Turkish F-4 fighter-bombers as part of the co-operation pact with Israel. *Reuter, Akinci, Turkey*

'Truth commission' disrupted

Bomb threats disrupted the first public session of South Africa's truth commission yesterday, in a stark reminder of past apartheid violence which the hearings are designed to lay bare.

"There are some people who will stop at nothing to try to prevent the commission carrying out its work," said chairman Archbishop Desmond Tutu as he interrupted the first witness to clear the room. Police sniffer dogs swept the commission venue at the city hall in East London before proceedings resumed. Two bomb threats were telephoned to a local newspaper.

On Sunday Archbishop Tutu said lawyers for "likely perpetrators" of apartheid atrocities had sought to block potentially damaging evidence coming out at the inquiry, but the commission would continue unless halted by a court order.

The government of national unity set up the commission to expose as much as possible of the secret history of apartheid. *Reuter, East London*

Canberra backs landmine ban

Australia yesterday threw its support behind international efforts to secure a global ban on the production and use of anti-personnel landmines. It also said it was unilaterally suspending any operational use of these weapons by its own defence forces.

Mr Alexander Downer, the country's foreign minister, said he hoped the move would add weight to the campaign for an international ban on landmines – "that is, their total elimination as a weapon of war".

"Indiscriminate use of landmines has created a humanitarian and economic crisis of massive proportions," he noted. Estimates by the US state department have suggested there may be about 84m landmines spread across 64 countries, many of which end up killing or maiming civilians after armed conflicts have formally ceased.

Mr Ian McLachlan, the federal defence minister, noted that Australia did not produce landmines and had not used them in any operational situation for several years. But he suggested that yesterday's moves were an *appropriate effort* "to demonstrate leadership on this issue". *Nikki Tait, Sydney*

Gabon plans utilities sell-off

Gabon will turn over the production and distribution of electricity and water to private operators and will call for international tenders by October this year, according to a government statement yesterday.

The statement, published in the official daily newspaper L'Union, said the successful candidates would be selected in December. The International Finance Corporation, the private-sector loan arm of the World Bank, would be the adviser in the privatisation of Société d'Energie et d'Eau du Gabon, it added.

The government's objective was "to attract strategic partners committed to long-term investment who have technical and operational expertise to help improve the quality of services". It also wanted to cut the cost of supplying electricity and water, to serve more consumers, to enable staff and other Gabonese to own shares in the utilities and to limit the role of the state to policy and regulation.

Gabon, a member of the Organisation of Petroleum Exporting Countries, is trying to privatise key state companies in line with other countries in the region which are looking to foreign investment to revive their struggling economies. *Reuter, Libreville*

Shortfall in government contributions will hit operations

Shell Nigeria expects budget cut

By Simon Kuper in London

Shell's Nigeria subsidiary expects a shortfall in its 1996 budget of at least $300m because the country's government has fallen behind on its contributions.

Mr Brian Anderson, managing director of Shell Nigeria, which produces half the nation's oil, said yesterday that the subsidiary expected to scale back its budget from $1.6bn to $1.3bn or less. It was waiting to hear how much the government would contribute.

Last year Shell Nigeria spent $1bn, although it had government approval to spend $1.5bn. "The government didn't pay on time," Mr Anderson said. The shortfall would force Shell to reduce its exploration and production operations in Nigeria.

The state-owned Nigerian National Petroleum Corporation, which has a 55 per cent stake in its joint venture with Shell, has suffered a cut in its 1996 budget for dollar spending from $2.2bn to $1.7bn. For its naira costs, the government approved only N20bn ($241m), less than half the sum asked for by the corporation.

All six foreign oil companies operating in Nigeria have complained of funding shortfalls. The country produces 2m barrels a day and says it aims by the year 2000 to raise production and proven reserves by a quarter.

Mr Anderson was speaking at a London conference on Shell's Nigerian operations, staged by the Royal Geographical Society, which this year will decide whether to terminate its £40,000 ($60,800) annual sponsorship from the company.

Mr John Hemming, director of the society, said: "If Shell is as villainous as some people have made out, we certainly don't want to be associated with it."

Shell has been attacked over its Nigerian business since the government executed Mr Ken Saro-Wiwa, an Ogoni community leader, and eight other activists last November. Mr Saro-Wiwa had accused Shell of degrading the environment of Ogoniland, which is part of the oil-producing Niger Delta.

Mr Anderson said the Nigerian government spent too low a share of oil revenues on oil-producing regions. The government recently raised that share from 3 to 13 per cent. But Shell said yesterday: "It's all very well having that 13 per cent, but it has to actually get to the regions."

Mr Anderson said corruption was a problem in Nigeria, "also within our own company", and that 55 per cent of oil spills from Shell's Nigerian operations were due to sabotage by local people.

It is estimated there were up to 3,000 spills last year, but Mr Anderson stressed there were virtually none at present.

Mr David Moffat, a World Bank environmental consultant, told the conference that oil spills were causing less damage than overfishing or untreated sewage but that environmental damage caused by building oil infrastructure, such as canals and roads, was a significant problem.

Airbus, GE to study engine for large A340

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie, the European manufacturing consortium, and General Electric of the US said yesterday they had agreed to study the engines required for an enlarged version of the A340 aircraft, which will carry 375 passengers.

Airbus said it was considering bringing the enlarged aircraft, which would be called the A340-600, into service early next century. The engines being studied would have a thrust of 51,000 pounds or more.

A four-engined aircraft of this size would compete with the Boeing 747-400, which carries up to 400 passengers, and with larger versions of the Boeing 777. The announcement by GE and Airbus comes after McDonnell Douglas of the US said last week it was considering stretching its 300-seat MD-11 to 400 seats.

All three manufacturers believe there will be a growing market for large aircraft next century. Boeing, the world's biggest aircraft manufacturer, has a monopoly of the large jet market with the 747.

Airbus, the second biggest civil aircraft manufacturer, said its agreement with GE was exclusive, which meant that no other engine makers would be involved. The existing version of the A340, which carries 300 passengers, is powered by CFM engines only, manufactured by a joint venture between GE and Snecma of France.

Airbus said, however, that the agreement did not mean GE would necessarily be the only manufacturer of engines for the enlarged A340 when this went into production.

Some in the aero engine industry have called for aircraft manufacturers to name a single manufacturer to produce engines for new aircraft models to reduce the risk of failing to win an adequate return on the large sums required to develop new engines.

The world's three largest engine manufacturers – GE, Pratt & Whitney of the US and Rolls-Royce of the UK – all spent large sums developing engines for the Boeing 777. The three companies have competed fiercely on price when persuading airlines to choose their engines for the 777.

Boeing and Airbus have already announced plans for even larger aircraft than the 747-400 and the A340-600.

Boeing hopes to begin work this year on the 747-600X, which would carry more than 500 passengers. Airbus says that by the end of next year it wants to begin developing the A3XX, which will have 550 seats.

Poorest nations urged to adopt market reform

By Guy de Jonquières, Business Editor

The world's poorest countries risk being left further behind in the process of global economic integration unless they adopt sweeping market-oriented reforms aimed at fostering internationally competitive export industries.

This is the main conclusion of a report by the United Nations Conference on Trade and Development (Unctad), which says the top priority for the least developed countries (LDCs) is to remove supply-side constraints which prevent them exploiting opportunities on world markets.

The report says the objective will take time to achieve, as it involves correcting deep-seated weaknesses, such as poor physical infrastructure, inadequate education systems and acute shortages of technology and management skills.

It says progress will depend heavily on support from richer economies, particularly on their willingness to reverse the recent decline in development aid, increase technical assistance, speed up debt relief and eschew trade protection.

The uncompromising free-market tone of the report is the more striking because Unctad for many years advocated development strategies based on trade protection, government intervention and curbs on private investment from abroad. However, the organisation says such efforts to achieve economic autonomy have been rendered ineffective by changes in the global economy. "As a consequence, governments have few options other than to pursue market-oriented economic policies."

It praises recent efforts by some of the LDCs – a group of 48 mainly African and Asian countries – to lower trade barriers, liberalise their financial systems and pursue more stable macro-economic policies.

Along with a recovery in world commodity prices, these steps have contributed to faster economic growth, which averaged 3 per cent a year in all the LDCs in 1994-95 and exceeded 5 per cent in 14 of them last year. The report is cautiously optimistic about near-term prospects.

Nonetheless, LDCs' share of world output, trade and direct investment inflows was lower than in 1980, while the gap between incomes per head in the world's richest and poorest economies widened.

"The LDCs, with only a small number of exceptions, have become marginalised from the mainstream of global economic activity," the report says.

It warns that, without better access to foreign capital and technology, they risk falling still further behind.

"LDCs require efficient production structures capable of meeting increasingly exacting demands of quality, cost and delivery schedules on international markets," the report says. "Entrepreneurial, managerial, marketing and technical skills are very scarce, as are entrepreneurs with experience of producing for export markets."

The Least-Developed Countries 1996 Report. Unctad, Palais des Nations, Geneva. Available from government bookshops and UN sales sections in New York and Geneva.

Export slowdown may hit E Europe

By Frances Williams in Geneva

Rapid economic expansion predicted for much of eastern Europe this year could be jeopardised by slow growth in western Europe, the United Nations Economic Commission for Europe warns today in its annual economic survey.

The Geneva-based ECE is predicting a rise in gross domestic product of "at best" 1.5 per cent for western Europe in 1996, compared with 2.7 per cent in 1995.

Before the full extent of this deceleration became clear, eastern European nations (excluding the former Soviet Union) expected to notch up growth averaging 6 per cent this year against 5.3 per cent in 1995 and 4 per cent in 1994.

However, with western Europe taking 50-70 per cent of the region's exports, eastern Europe is highly vulnerable to a slowdown in western import demand, the survey notes. This is especially true of the Czech Republic, Poland, Romania and Slovakia.

The ECE also takes issue with the International Monetary Fund and the European Bank for Reconstruction and Development, both of which are forecasting a rise in Russian GDP after a smaller-than-expected 4 per cent drop in 1995.

The medium-term strategy agreed by Russia with the IMF, as a condition for its \$10.2bn loan, projects a 1996 growth rate of 2.3 per cent, while the EBRD is predicting a rise in GDP of around 3 per cent. But the ECE points out that Russia's economy ministry is expecting negative or at best zero growth this year.

**Economic Survey of Europe 1995-96. Available in May from UN Sales Section, Palais des Nations, CH-1211 Geneva, fax +41 22 917 0027.*

US rules could shrink HK garment trade

Mr Chang employs a dozen people at his small factory on the Kowloon side of Hong Kong cutting fabrics on computer-aided equipment. The parts are then shipped to China where they are turned into garments for export, mostly to the US.

From July 1, his business will face a potentially serious obstacle. On that day the US will classify his garments as made in China, not Hong Kong, subjecting them to strict quotas. Mr Chang and others like him will have to move assembly back to the territory or switch their exports elsewhere.

Textiles and trade are emotive issues in Hong Kong where shipments of apparel and clothing accessories totalled HK\$73bn (US\$9.4bn) last year, dwarfing most other exports.

The US decision means that the country of origin for clothing and textiles will be determined by where the assembly of the product takes place, rather than where its component fabrics are cut.

"The unilateral change in US origin rules has been a major concern for our trade," says Mrs Rebecca Lai, Hong Kong's deputy director of trade who led the territory's team in its negotiations with the US last month.

Such concerns are as much a question of principle as of practical impact. "This is the second time in the past decade that the US has changed the rules without consulting partners," says Mr Tony Miller, director general of the Hong Kong government's trade department. "It is very disruptive to change suddenly and without consultation," he adds.

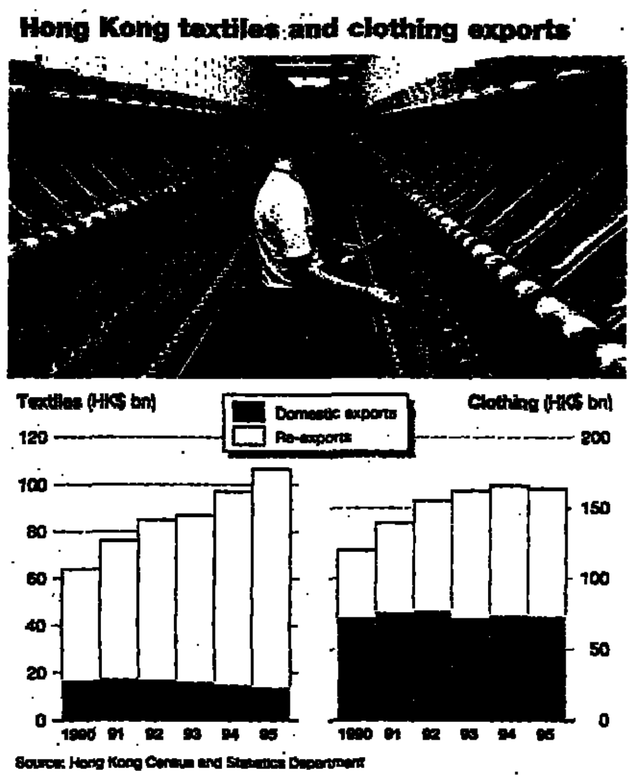
The US argues that its move, announced last May, aligns its procedures more closely with those in other countries and conforms with its international trade commitments. But critics claim the planned change is an opportunistic way of tightening controls on surging imports from China.

The US decision comes in the midst of negotiations between World Trade Organisation members, aimed at harmonising their widely varying rules of origin regimes by mid-1998. Until then, WTO members have undertaken to observe interim disciplines, including a pledge not to apply rules of origin "to create restrictive, distorting or disruptive effects on international trade".

The US is the biggest market for many of the colony's clothing companies, which supplied it with about HK\$35bn worth of apparel and clothing accessories last year.

Like the manufacture of the garments themselves, the devil of the new rules will lie in the detail. The impact for manufacturers will depend on their product ranges, their degree of geographical diversification and their size. Many claim they will be unscathed by the changes.

Hong Kong textiles and clothing exports



Source: Hong Kong Census and Statistics Department

Much depends on which products are involved and what constitutes assembly. The most vulnerable items are cut-and-sewn garments and various made-up articles such as bed linens, scarves and baby's nappies. "If the rules of origin mean these products will have to be woven in Hong Kong then it will be difficult to adjust," says Mr Kenneth Fang, chairman of the Hong Kong Textiles Council.

The industry body has submitted 13 products to the US customs office for clarification on whether they pass or fail the new rules of origin requirements. "The problem is really much one of uncertainty as anything else," says one senior industry executive.

There are similar concerns in the US. The US Association of Importers of Textiles and Apparel, a New York-based trade association, says while its members have the flexibility to find their way around the new rules, their main concern is that they are still in the dark as to exactly how the rules will work.

"In our business, the finer points of interpretation are where it all lies," says Ms Laura Jones, the association's director. "If you cut in Hong Kong and assemble in China, it's very clear that the product will be a product of China and not of Hong Kong. But if you cut in Hong Kong, assemble two major seams in Hong Kong and do the rest of the work in China, what becomes the country of origin? That is what people are trying to find out: what they can and can't do, and the government hasn't told us yet."

Retailers share this anxiety. Mr Robert Hall, a vice president of the Washington-based National Retail Federation, says if importers guess wrongly about the US government's interpretation of the rules, there could be temporary shortages of garments such as T-shirts, blouses and skirts while buyers organise a switch to other suppliers.

"The difficulties haven't yet hit, but they will hit very soon," says Mr Hall.

In Hong Kong, for many manufacturers it is a matter of wait and see. "We still need information to know what the impact might be," says Mr Sam Cheung, a director of Laws Garments. But Laws, like the other big producers are relatively sanguine about the new measures.

They see the likely impact as limited, arguing that they have long been adjusting to the problems of China's strict export quotas and the high costs of Hong Kong. Production centres and markets have been diversified, particularly in south-east Asia, while the division of manufacturing processes between Hong Kong and China has been curtailed.

John Ridding and Richard Tomkins

NEWS: ASIA-PACIFIC

Clinton, Kim try to resolve differences over Pyongyang

By John Burton in Cheju

US President Bill Clinton will meet his South Korean counterpart Kim Young-sam on the resort island of Cheju today to resolve their differences over North Korea.

Although Washington and Seoul publicly present a united stand on North Korean policy, they disagree in private.

The US wants gradually to improve relations with Pyongyang to promote stability on the Korean peninsula. South Korea is resisting such approaches, fearing its defence alliance with the US will be weakened as a result.

The Clinton-Kim meeting comes nearly two weeks after North Korea declared that it would no longer observe the 1953 armistice agreement that ended the Korean war.

Most analysts believe that Pyongyang announced the move to coincide with the Clinton visit and gain the diplomatic attention of the US.

North Korea's goal is to push the US into signing a formal peace treaty that would exclude Seoul and possibly lead to the withdrawal of the 37,000 US troops based in South Korea. It also wants to US diplomatic recognition and economic aid to alleviate its food shortage.

The provocative action by North Korea reflects frustration that its recent offers to discuss a peace treaty with the US and the supply of food aid from South Korea have been ignored.

While Washington's reaction to the recent North Korean measures has been calm and measured, the Kim administration played up a North Korean military threat ahead of last week's general election in a successful effort to attract votes.

If Pyongyang was trying to exacerbate tensions between Washington and Seoul, "South Korea's reaction played right into the hands of North Korea," said a US official in Seoul.

The US has insisted that any peace treaty should be signed between North and South Korea as demanded by Seoul. In response, Pyongyang has argued it signed a non-aggression pact with South Korea in 1991 and suggested it would fully implement the agreement once a peace treaty is concluded with the US.

Although the US has resolutely supported South Korea on the peace treaty issue, Seoul is suspicious that any US-North Korean contact may lead to covert negotiations excluding Seoul.

The worry in Seoul is that the Clinton administration has proved susceptible to past North Korean brinkmanship. A threat by Pyongyang in 1994 to withdraw from the nuclear non-proliferation treaty led to a US promise to supply them with nuclear reactors.

Officials in Seoul also believe the sabre-rattling by North Korea is part of a strategy to gain international food aid. Pyongyang may be deliberating playing on western fears that unless it gets food aid, North Korea may be tempted to launch an attack on South Korea in a desperate attempt to avoid economic collapse.

Seoul has tried to block the North's appeals to the US and Japan for food shipments, explaining that Pyongyang could use the supplies to feed its large military forces at the expense of civilians.

However, much of South Korea's recent caution toward North Korea has been governed by fears that a conciliatory policy could harm the government at the polls.

Having survived a conservative challenge at last week's general election, Mr Kim may now be willing to compromise with the US and allow it to improve ties with North Korea.

Otherwise, a continued stalemate might force a frustrated North Korea to raise the stakes as it seeks to break its diplomatic isolation with the west.

No stone left unturned: Tightened security in South Korea Reuter

ASIA-PACIFIC NEWS DIGEST

Wholesale price fall in Japan

Japan's overall wholesale prices fell 0.1 per cent month-on-month in March, after being unchanged in February, the Bank of Japan said yesterday. Compared with a year earlier, the overall wholesale price index was down 0.6 per cent in March, after falling 0.1 per cent in February.

The BoJ said domestic wholesale prices in March fell 0.1 per cent from a month earlier, after being unchanged month-on-month in February.

The import price index was down 0.4 per cent after rising 0.4 per cent in February, while the export price index was unchanged after declining 0.1 per cent in February.

The central bank said prices of oil-related products rose, reflecting international price movements. Electric equipment and microchip prices fell due to the yen's decline.

The BoJ said the decline in March domestic wholesale prices was due mainly to a fall in personal computer prices, stemming from the downturn in semiconductor demand in the US. *AFP, Tokyo*

Beijing starts work scheme

Beijing city authorities are to provide subsidies to work units that take on unemployed workers. Units employing men over the age of 40 or women over 35 for a minimum two years will get a one-off payment of Yn3,000 ($360), the Xinhua news agency said yesterday. Private companies are excluded from the scheme, the first of its kind in China.

Beijing's labour administration says the city now has about 100,000 displaced and unemployed workers. China aims to hold its urban jobless rate at 3.2 per cent this year and 4 per cent by 2000. Mr Li Boyong, labour minister, warned earlier this month of a rapid rise in the number of labourers entering the jobs market. *AFP, Beijing*

Liberalisation attacked in India

India's leftist Janata Dal party attacked the Congress government's economic liberalisation policies yesterday, saying if it won India's elections – which start towards the end of this month – it would restrict new operations of multinational corporations.

The party said in its election manifesto that a Janata Dal-led government would resume a leading role in infrastructure development and extend job quotas to the private sector.

Janata Dal is leading a loose coalition of leftist parties into the election – against Congress and the Hindu nationalist Bharatiya Janata party (BJP).

The Janata Dal manifesto came as the prime minister, Mr P V Narasimha Rao, was promising less state control if re-elected. Licences and permits, or the need for government permission to set up industries, would be abolished if the Congress party was re-elected, Mr Rao said. *Reuter, New Delhi*

Bribe claim denied in Korea

Former South Korean president Mr Chun Doo-hwan said at his corruption trial yesterday that he bankrolled his successor Mr Roh Tae-woo's 1987 presidential campaign, but denied the money came from bribery. Mr Chun's testimony was seen as confirmation of speculation that an incumbent president customarily provided campaign funds for a candidate from his own party.

Testifying at a Seoul criminal court trying him for alleged corruption during his 1980-88 term, Mr Chun said he gave Mr Roh $253m to help finance his presidential campaign.

Mr Chun, 64, said the money came from donations, not bribes. He said he spent most of it for his governing party and Mr Roh's campaign. *AP, Seoul*

Australia aids energy project

Australia will contribute a further US$1.6m to the Korean Peninsula Energy Development Organisation, an international group formed to provide lightwater nuclear reactors and conventional energy assistance to North Korea.

Australian foreign minister Mr Alexander Downer announced the contribution yesterday after a meeting in Sydney with the chairman and members of the organisation.

The organisation was set up in 1994 following an agreement between the US and North Korean governments. It is to provide 500,000 tons a year of fuel oil for North Korea to use as an alternative energy source.

As part of its agreement, North Korea committed itself to freeze permanently the operation of its existing plutonium-producing graphite moderated research reactor, seal its plutonium reprocessing facility and provide safe storage for its spent fuel rods. *AP, Sydney*

Hong Kong aims to boost housing market funds

By John Ridding in Hong Kong

The Hong Kong Monetary Authority yesterday issued proposals for a government-backed mortgage corporation aimed at increasing the long-term supply of funds for the housing market and strengthening the territory's capital markets.

In a consultation paper based partly on a study by the US Federal National Mortgage Association, the HKMA proposed the mortgage corporation should initially be 100 per cent owned by the government and have a capital base of HK$1bn ($129m).

The proposals will now be discussed with industry groups, banks and other members of the financial sector before a final decision is taken in about two months. Mr Joseph Yam, chief executive of the HKMA, made clear his support for the scheme.

"The corporation will assist in promoting home ownership, improving banking and monetary stability and facilitating the development of the local debt market," he said.

Outlining a phased development of the corporation's activities, starting with the purchase of mortgage loans and moving to the issue of mortgage-backed securities, the study said the body should be profitable in the long term. Once it has established a track record, the ownership structure could be modified.

In addition to responding to expected growth in demand for housing finance, which is forecast to see a gap of more than HK$780bn between mortgage supply and demand by the year 2005, the corporation is aimed at improving the balance of banks' loan portfolios.

Referring to the mismatch between long-term mortgage lending and short-term funding for banks, the study argues the corporation could reduce lending and liquidity risks.

An extra incentive, reflecting rivalry with Singapore and other regional financial centres, is that a mortgage corporation would stimulate Hong Kong's debt market through the supply of high-quality and liquid securities in the secondary mortgage market.

Many in the financial community regard a mortgage corporation as a positive step, but some have expressed concerns about possible competition with the banking sector.

A study by Goldman Sachs, the US investment bank, said while there would be no short-term impact on the Hong Kong banking industry, in the longer term setting up a mortgage corporation could lead to greater price competition in the market.

The corporation would not be involved in loan origination business and the corporation would bring benefits through reducing risks in the market.

Back to cosy US-Japan ritual

There will be less No-saying at Tokyo summit, writes William Dawkins

The US-Japan summit in Tokyo tomorrow will on the surface mark a return, after uncertain times, to the once cosy annual ritual whereby both sides are pre-programmed to swear close partnership.

Much has changed since three years ago Mr Morihiro Hosokawa, the former prime minister, and President Bill Clinton agreed to disagree on access to Japan's markets.

While there is still an important and enduring part of Japan that can and will say No to Washington, its political revolution has taken a pause.

The instinctively pro-US Liberal Democratic party is settling back comfortably into government under Mr Ryutaro Hashimoto. This week, he will seek to complete a public personality change from *kendo* sword-waving trade warrior to aspiring statesman with a warm handshake.

Mr Hashimoto hopes, it is said, to be on first name terms with his visitor this week, to create a Bill-Ryu partnership as warm as the Ron-Yasu friendship of yore. A senior Japanese politician who knows both men feels they have too little in common to be close friends. But the will is there.

Washington has shown that it is prepared to accommodate a more candid Japan. It acceded to Mr Hashimoto's refusal to accept numerical import targets in the car dispute last year, and again yesterday by agreeing to return a fifth of the land it uses in Okinawa to local landowners, in deference to feelings inflamed by the rape of a schoolgirl by three US servicemen last autumn.

The urge to renew their vows is driven by undiminished security tension in Asia. Washington and Tokyo have each carried out east Asian security reviews over the past year and they agree that the end of the cold war has not made the region much safer.

East Asia remains riddled with risk – China's military build-up, its intentions towards Taiwan, the possible collapse of North Korea and disputes between all of east Asia's leading powers over ownership of at least four groups of islands.

So it is no surprise that the US security review concluded that the stabilising presence of 100,000 US troops, of which 47,000 are in Japan, is needed as much as ever.

Meanwhile, as Okinawan wounds have begun to heal, the incident there has turned into a blessing in disguise, says one senior diplomat. It has provoked an overdue Japanese public debate on the US presence and whether Japan can increase its own contribution to regional security within the confines of its pacifist post-war constitution.

The conclusion, to be celebrated in a joint declaration tomorrow, is to renew the welcome for US troops and increase Japanese peace-time logistical support for them, a technical but significant step.

Adding to the US-Japan taste for cordiality is the apparent rapid opening of the Japanese economy. Mr Clinton and Mr Hashimoto will each have reason to celebrate on the economic front, partly because the news is genuinely good and partly because neither can afford another foreign exchange crisis.

Much has changed since Hosokawa and Clinton agreed to disagree on foreign access to Japan's markets

The sharp rise in the yen that would probably follow serious US-Japan trade discord could force up US interest rates, particularly unwelcome in a presidential election year, and derail Japan's economic recovery. Indeed, Mr Hashimoto, who is facing an election by July 1997, will be the first of the five Japanese prime ministers whom Mr Clinton has met, to have anything like an encouraging economic story to tell.

Japan's best performance in five years is good news for Mr Clinton because it translates into an increased Japanese appetite for imports and may help deflect Republican criticism of his trade policy.

US sales to Japan rose by a fifth last year. Japan's always contentious trade surplus with the US dropped by 17 per cent, the first decline in five years, to $45.6bn.

The Japanese economy is being prised open by a mixture of consumers' self-interest and a strong yen. Washington can claim – and Tokyo officials will refrain from openly disagreeing – that its trade negotiators' skill has also helped. Since Mr Clinton took office in January 1993, exports in sectors subject to US-Japan trade deals have risen by 85 per cent, two and half times the average rate of growth in US exports to Japan, according to US trade officials.

There is nevertheless still a list of unresolved disputes over access to the Japanese market – from semiconductors to insurance and photographic film. New ones are likely. Only last week, Mr Jeffrey Garten, former US under-secretary of commerce, argued in Tokyo that the battle was not over but just moving from bilateral to multilateral ground.

The Americans will also have discovered that the unyielding Mr Hosokawa was no one-off. He represents a generation of politicians, which has yet to find a consistent voice in Japan but is matched and supported by up-and-coming bureaucrats.

They are eager to balance the US friendship with new Asian alliances, especially on economic matters, and feel confident in resisting US economic pressure.

The warmth displayed on security matters this week is as enduring as the US-Japan common interest in a stable Asia. But the tough line on trade persists. Bill-Ryu's rapprochement cannot be as all-embracing as was Ron-Yasu's.

ADB backs 'gradual' Asian reforms

By Edward Luce in Manila

Former communist countries in transition towards a free market economy could avoid painful social upheavals associated with the change if they adopt elements of the "gradualist" approach used by China and Vietnam, according to the Asian Development Bank.

The ADB annual report, published yesterday, says China's carefully sequenced economic reform programme, begun in 1978, stands in marked contrast to the "shock therapy" or "big bang" model deployed in the central Asian republics of the former Soviet Union and in eastern Europe.

The report, which says many of the features of the "gradualist" Asian model could still be applied elsewhere, says China has achieved an average growth rate of 9.4 per cent since the transition process was launched, while keeping a reasonable lid on inflation.

In contrast, the central Asian countries of Kazakhstan, Uzbekistan and the Kyrgyzstan have seen national income fall by up to 40 per cent while inflation has often breached 1,000 per cent since "shock therapy" was introduced in the early 1990s.

"The largest fiscal deficits are in the central Asian republics where macroeconomic imbalance was far more severe [than other parts of Asia]," the report says. "The period of transition has also been accompanied by higher inflation, the severity of which corresponds roughly to the size of the initial shock."

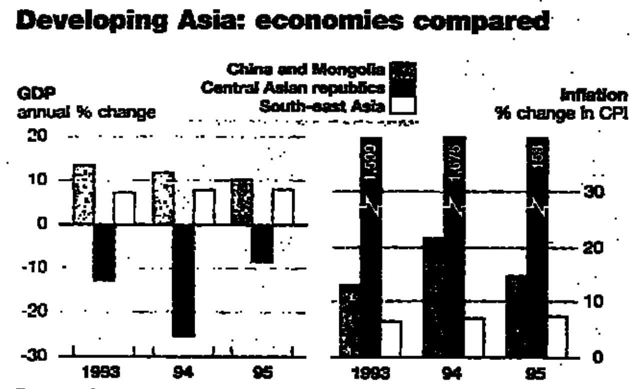
While cautioning that the lessons to be drawn are limited because the central Asian republics launched their reforms from a far worse starting point than China, the report says a clear model emerges from the Chinese and, more recently, the Vietnamese experience since 1986.

"The most notable feature of the gradualist model is the creation of a dualistic economy... where a market segment is permitted to emerge and grow while the planned segment is gradually allowed to shrink. Gradualism can transform planned economies to market-oriented ones while avoiding the large social and economic upheavals often caused by big bang approaches."

The report stresses the findings are inconclusive because neither model has yet resulted in a fully developed economy. But the report is likely to be interpreted as a rebuke to the "shock" approach championed by Professor Jeffrey Sachs, a prominent economist at Harvard University.

Prof Sachs, who made his name advising the Bolivian government in the 1980s, has argued that the incremental approach to economic transition causes more social pain than shock therapy. The ADB notes that after 18 years of gradualist reform China is the world's fastest growing economy.

Developing Asia: economies compared



Excluding Cambodia, Kazakhstan, Kyrgyz Republic, Mongolia and Myanmar
Source: Asia Development Bank

Irian Jaya shooting spree kills 15

By Manuela Saragosa in Jakarta

Fifteen people died and 12 were injured at Timika airport near the Indonesian mine of the US company Freeport McMoRan Copper & Gold in Irian Jaya yesterday, after an Indonesian soldier went on a shooting spree.

The killings come only a few days after Freeport's Indonesian unit negotiated a development plan with local tribes in an attempt to ease tensions. Victims of the shooting include a New Zealander and several Indonesian soldiers. It is not clear whether any Irianese were killed.

The killings do not affect Freeport's plan, but there is concern they will increase tensions around the mine, which Freeport was forced to close for three days last month because of rioting. The riots highlighted frustration at the perceived lack of benefits flowing from the mine to the community.

The shooting was said to have been started by a "depressed and angry" Indonesian soldier escorting the bodies of two other soldiers hacked to death by tribesmen in the remote village of Mapunduma, 100 miles north-east of Timika. The tribesmen were said to have taken revenge against the soldiers whom they accused of rape.

The official Antara news agency quoted Lt-Gen Soeyono, chief of general affairs of the armed forces, as saying the two soldiers had been killed by separatist rebels.

One Timika resident said: "A soldier at the airport got angry because one of the two dead soldiers had been his friend. He fired his gun into the people standing there."

Gen Soeyono, speaking on state-run TVRI television, said the death toll from the Timika shooting had risen to 15. The soldier who carried out the attack was a second lieutenant.

About 1,000 troops are now stationed in the area, compared with 150 before the riots. Under the "Integrated Timika Development" plan, Freeport Indonesia has agreed to put aside 1 per cent of its annual revenues to help develop the region and has said it will employ more Irianese.

Antara named the New Zealander as Mr Michael Findlay and said the dead included a colonel, a major and a captain.

INTERNATIONAL ECONOMIC INDICATORS: **PRODUCTION AND EMPLOYMENT**

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	98.4	95.6
1987	108.4	106.0	6.1	104.2	98.7
1988	112.6	110.7	5.4	104.9	100.2
1989	115.4	112.4	5.2	97.9	99.0
1990	116.2	112.4	5.5	82.7	95.2
1991	113.5	110.4	6.6	61.7	100.1
1992	117.2	112.2	7.4	61.8	104.9
1993	123.4	118.2	6.8	67.7	110.5
1994	131.2	125.1	6.0	79.0	112.7
1995	136.5	129.5	5.5	79.1	111.3
1st qtr.1995	4.7	5.5	5.5	81.0	112.1
2nd qtr.1995	4.3	3.3	5.6	77.4	111.2
3rd qtr.1995	4.5	3.0	5.6	78.8	110.5
4th qtr.1995	2.8	1.5	5.5	79.4	111.3
March 1995	3.4	4.7	5.4	79.7	112.1
April	3.3	3.9	5.8	80.7	111.6
May	4.8	3.3	5.6	75.3	111.3
June	5.0	2.8	5.6	78.2	111.2
July	4.9	2.7	5.6	79.8	111.2
August	4.5	3.2	5.6	78.9	111.2
September	4.2	3.1	5.6	77.8	110.5
October	2.1	1.9	5.4	78.8	110.3
November	3.0	1.7	5.5	79.8	110.6
December	3.4	1.0	5.5	82.5	111.3
January 1996	2.0	0.2	5.7	79.8	111.6
February		1.6	5.5	79.5	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.4
1986	103.6	99.7	2.8	94.3	83.4
1987	113.8	103.1	2.8	113.1	91.2
1988	122.6	113.1	2.5	135.9	96.8
1989	132.5	119.7	2.2	147.0	98.6
1990	141.7	124.5	2.1	149.8	95.9
1991	144.6	126.8	2.1	144.9	93.1
1992	139.9	119.0	2.1	124.2	92.0
1993	131.9	113.6	2.5	106.8	97.4
1994	129.6	114.5	2.9	102.2	105.3
1995		118.2	3.1	106.5	109.7
1st qtr.1995	−2.3	6.1	2.9	106.9	105.7
2nd qtr.1995	−0.8	4.9	3.1	104.9	105.8
3rd qtr.1995	0.5	0.9	3.2	105.1	110.5
4th qtr.1995		1.2	3.3	109.9	109.7
March 1995	−1.1	5.9	3.0	105.1	105.7
April	−1.5	6.0	3.0	104.0	105.8
May	−0.7	5.6	3.1	106.8	105.3
June	−0.3	3.2	3.2	106.3	106.6
July	−0.9	1.3	3.2	104.5	106.8
August	0.7	1.0	3.2	104.2	107.6
September	1.8	0.5	3.2	105.8	108.1
October	−1.1	1.4	3.2	105.4	109.3
November	1.3	0.7	3.4	109.0	109.3
December		1.5	3.4	108.6	109.7
January 1996		2.8	3.4	111.2	109.5
February		2.7	3.3	110.1	

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	136.9	89.3
1987	107.4	102.6	6.2	148.5	90.0
1988	110.5	106.3	6.2	165.1	95.5
1989	114.2	111.4	5.6	219.5	97.7
1990	123.5	117.2	4.8	261.9	98.1
1991	130.5	119.8	4.2	297.9	95.2
1992	127.7	118.5	4.6	287.9	89.2
1993	122.3	109.2	6.1	229.0	95.2
1994	120.4	113.9	6.8	240.4	103.7
1995		114.2		267.8	100.7
1st qtr.1995		3.0	6.7	271.6	102.1
2nd qtr.1995		1.7	6.8	278.3	101.9
3rd qtr.1995		−0.1		265.5	101.0
4th qtr.1995		−3.7		258.0	100.7
March 1995		1.2	6.7	280.5	102.1
April		1.8	6.8	279.7	101.8
May		2.9	6.8	277.2	101.3
June		0.7	6.8	272.2	101.8
July		1.0	6.8	270.6	101.3
August		−0.2		264.6	101.2
September		−1.1		261.2	101.0
October		−3.4		258.0	100.9
November		−2.7		256.0	100.9
December		−4.9		254.6	100.7
January 1996		0.6		264.6	
February		−4.8		270.5	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.1	10.4	107.0	96.3
1987	104.5	103.1	10.5	117.2	96.2
1988	107.9	107.3	10.0	135.3	101.2
1989	109.5	111.3	9.4	160.6	101.0
1990	110.4	112.8	8.9	163.2	96.5
1991	110.3	111.4	9.4	126.2	97.6
1992	110.5	110.0	10.4	109.5	96.5
1993	110.7	105.8	11.7	90.0	100.0
1994	110.8	110.0	12.3	104.1	103.3
1995	110.7	111.5	11.6		99.0
1st qtr.1995	0.5	5.3	11.8	119.3	102.2
2nd qtr.1995	1.1	2.9	11.6		101.9
3rd qtr.1995	0.4	0.2	11.4		99.5
4th qtr.1995	−2.2	−2.5	11.6		99.0
March 1995	−1.5	5.5	11.7	128.1	102.2
April	0.2	2.1	11.6		102.6
May	2.6	3.0	11.6		102.3
June	0.5	3.5	11.5		101.9
July	1.8	0.7	11.4		101.5
August	0.0	0.8	11.4		100.8
September	−0.6	−0.8	11.5		99.5
October	−4.4	−1.8	11.5		98.8
November	0.5	−2.8	11.6		99.0
December	−2.9	−3.0	11.7		99.0
January 1996		−1.3			99.4
February					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.3
1986	106.8	104.1	10.4	94.3
1987	112.1	106.8	10.9	95.9
1988	107.9	114.2	10.9	100.2
1989	116.9	118.7	10.9	98.4
1990	114.5	118.0	10.3	95.0
1991	110.9	116.9	9.8	97.2
1992	116.9	115.4	9.8	94.2
1993	114.1	113.0	10.2	101.0
1994	107.4	119.5	11.1	102.9
1995		127.2		100.8
1st qtr.1995	−3.6	9.4	12.2	101.7
2nd qtr.1995	−4.5	6.1	12.2	101.8
3rd qtr.1995	−5.9	5.8	12.1	102.4
4th qtr.1995		4.7		100.8
March 1995	−10.1	9.2	n.a.	101.7
April	−2.1	5.1	n.a.	101.3
May	−6.3	7.4	n.a.	101.5
June	−6.0	5.7	n.a.	101.8
July	−3.5	4.3	n.a.	102.6
August	3.9	8.2	n.a.	102.9
September	−18.1	5.0	n.a.	102.4
October	−9.8	4.4	n.a.	101.2
November		4.3	n.a.	100.2
December		5.6	n.a.	100.8
January 1996		0.8	n.a.	100.3
February			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.5	11.2	116.1	93.0
1987	110.8	106.5	10.3	141.0	97.1
1988	117.8	111.6	8.6	144.0	95.7
1989	120.1	114.0	7.2	124.3	93.5
1990	121.1	113.7	6.8	97.8	91.6
1991	119.4	109.5	8.8	68.6	94.9
1992	120.4	109.4	10.1	69.6	98.6
1993	123.9	111.5	10.4	76.5	105.9
1994	128.5	117.2	9.5	93.9	108.4
1995	129.9	119.9	8.7	107.8	106.4
1st qtr.1995	1.5	4.3	8.7	103.5	107.2
2nd qtr.1995	1.4	2.0	8.8	106.4	107.4
3rd qtr.1995	0.5	1.5	8.7	109.2	106.9
4th qtr.1995	1.1	1.6	8.6	112.5	106.4
March 1995	1.5	5.3	8.8	103.4	107.2
April	1.8	2.6	8.8	107.2	107.5
May	1.2	1.7	8.8	106.0	107.4
June	1.2	1.7	8.8	108.0	107.4
July	1.2	2.2	8.8	106.2	107.2
August	0.4	1.0	8.7	107.7	107.0
September	−0.1	1.3	8.7	113.9	106.9
October	0.2	0.9	8.6	112.7	106.6
November	1.6	2.1	8.6	113.5	106.3
December	1.6	1.8	8.6	111.3	106.4
January 1996	2.2	1.4		110.8	106.6
February	1.9	1.2		110.4	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series US - help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

House showdown on constitutional amendment

US Republicans seek curb on tax increases

By Jurek Martin, US Editor, in Washington

The US Congress returned from its Easter break yesterday with taxation on its immediate mind but facing a heavy legislative schedule on a range of issues likely to loom large in the autumn elections.

Republicans in the House of Representatives, exploiting the fact that yesterday was the deadline for Americans to file tax returns, set an evening vote on a constitutional amendment that would require a "supermajority" of two-thirds of Congress for any increase in taxes.

A Senate committee was also holding hearings on a similar proposal, but even proponents concede the amendment has little chance of securing the necessary majority, also two-thirds, in both houses for it to be passed on to state legislatures for ratification.

The House Republican leadership, keen to redeem some of the promises in the half-forgotten Contract with America election manifesto of 1994, is also planning a vote later this week on what it calls a "taxpayer's bill of rights", designed to give individuals greater rights in dealings with the Internal Revenue Service.

Meanwhile, the Senate, under the direction of Senator Bob Dole, the majority leader and presumptive Republican presidential candidate, immediately put reforms of immigration and healthcare insurance at the top of its agenda.

It began debate yesterday on immigration, now split into two bills covering legal and illegal aliens. The first leaves most of the existing legal immigration quotas and preferences in place, but Senator Alan Simpson of Wyoming, sponsor of the original omnibus bill, is still insisting that reductions be made as a condition for passing tighter controls on illegal immigrants.

As it currently stands, the Senate is due to take up healthcare insurance reform later this week, though the timing is at the mercy of the debate on immigration.

This bi-partisan bill, co-sponsored by Senators Nancy Kassebaum, the Kansas Republican, and Edward Kennedy, the Massachusetts Democrat, would make it harder for insurance companies to deny coverage to those with pre-existing medical conditions. It has been commended in its present form by President Bill Clinton.

But that approval may be withdrawn if Mr Dole decides to add to the bill riders long on the conservative wish-list, such as the creation of medical savings accounts and medical malpractice reform, both already passed in different forms by the House but strongly opposed by the administration and many Democrats in Congress.

Other senators are also keen to add amendments, thus raising the prospect of an eventual piece of legislation approaching Mr Clinton's own healthcare reform bill, which fell under the weight of its own ambitious complexity in 1994.

Meanwhile, conference committees of both houses will this week try to resolve the outstanding problem of the federal budget for the current fiscal year, already more than half completed. The latest in about a dozen temporary "continuing resolutions" keeping the government in business is due to expire next week.

Last week, Mr Clinton vetoed the state department appropriations bill, mostly because he objected to a host of non-budgetary conditions potentially affecting US policy towards China, the UN, and several other areas. Similar non-germane riders may yet be attached to the bills funding the justice, commerce, labour and health departments, many of which could invite presidential vetoes.

Caracas seeks transport bids

By Raymond Colitt in Caracas

Venezuela yesterday opened registration for investors seeking to bid for an $800m project to improve transport links with the principal industrial belt around Ciudad Guayana, some 530 km south-east of the capital, Caracas.

It involves the construction of a bridge over the Orinoco river, a 320 km rail link to the Caribbean, a deep-sea port and 165 km of road.

Nearly 50 international companies – including Brazil's Odebrecht, Germany's Hochtief Bau, and Dragados y Construcciones from Spain – have expressed interest in the project.

They have until July 8 to register and exchange criteria on technical and contractual details with the Corporación Venezolana de Guayana (CVG), a state industrial holding company.

"We want to eliminate any possible stumbling blocks before the bidding process gets under way," says Mr Lucas Valera Niño, co-ordinator of the project at CVG.

Unlike the country's privatisation plans, which have been bogged down by legislative constraints, the 30-year build, operate, transfer (BOT) transport contract faces no legislative obstacles, said Mr Valera. Following the completion of pre-qualification in December, he expects the bidding process to start next January.

Investors would probably be able to use public debt swaps – both of Republic of Venezuela paper as well as that of the CVG – as an alternative in financing the projects. A final decision on this proposal is awaited.

A rail link with direct access to a deep-sea port would provide the region's heavy industries, especially mining, with a new outlet to international markets.

Argentine province rejects private sector hydro-electric project on environmental concerns

Menem embarrassed by anti-dam vote

By David Pilling in Buenos Aires

Plans to build a huge hydro-electric dam on the Argentine-Paraguayan border have been set back sharply after residents of Misiones province in Argentina voted overwhelmingly against the 3,000MW Corpus project.

The "no" vote, in a plebiscite on Sunday in the north-eastern province, by about nine to one, is an acute embarrassment to the Argentine federal government. President Carlos Menem last year signed an accord with President Juan Carlos Wasmosy of Paraguay, giving the go-ahead for the dam.

The plebiscite is not binding on the federal government, but such a big rejection could scare off potential investors in a $4bn project to be built entirely with private capital.

Misiones people seem to have been concerned that construction of Corpus, which would involve flooding an estimated 35,000 hectares of land in Argentina and Paraguay, could severely harm the environment. The anti-Corpus campaign said 40 per cent of the flora and fauna of the tropical rainforest in Misiones might be lost.

Another dam, Yacyretá, has alerted Misiones to the dangers such projects can pose. This 3,000MW dam is still unfinished and Argentina has spent an estimated $8bn of public money on it. Yacyretá, dubbed a "monument to corruption" by Mr Menem, was conceived with little thought to the environment. Run-offs into the Paraná river are said by analysts to have had a devastating effect on fish.

The Argentine government, which has frozen funds for completion of Yacyretá, wants to cut its losses and put the dam out to a 30-year concession, but necessary legislation is stuck in Congress. The concessionaire would have to complete installation of turbines at Yacyretá and raise the dam's level from 76 to 83 metres.

This would involve flooding more land in cities on either side of the border, which could become more controversial given the result of the Corpus plebiscite. It is believed the respective governments would take political and financial responsibility for paying compensation to dislodged families.

● Mr Jorge Dominguez, who won the primary on Sunday to pick the Peronist candidate for the mayoralty of Buenos Aires, faces an uphill battle if he is to become, in June, the first elected mayor of Argentina's federal district.

Polls show him trailing both Mr Fernando de la Rúa, the Radical party candidate, and Mr Norberto La Porta of the left-wing Frepaso alliance.

Sell-off initiative heads for trouble

Sally Bowen finds unions resisting Bolivia's scheme to attract foreign investment

Bolivia's reforming President Gonzalo Sánchez de Lozada is poised for a showdown with the country's confederation of workers, the COB. Battle lines are drawn and, after protracted talks broke down last week, positions are entrenched and violence is threatened.

Discord is already being expressed in road blocks and street demonstrations orchestrated by the COB.

The main bone of contention is the future of the state-owned oil producer, YPFB, which is the cornerstone of what the president calls a capitalisation programme, rather than outright privatisation.

Businessmen are predicting that Bolivia's economy will be set back by two decades if the capitalisation does not go through. The COB, however, is calling the president a traitor for trying to sell the nation's wealth: it has pledged radical opposition.

Abandonment of control of what are regarded as strategic resources, particularly natural ones, has always been a touchy issue in Latin America. Few countries have privatised their oil industries and even Chile maintains its state-owned mining concern.

Mr Sánchez's capitalisation plan, launched in August 1993, looked not only different but convincing. Instead of selling a company outright, the state seeks a "strategic partner" to bid for 50 per cent of the shares and assume control. The remaining 50 per cent is earmarked for distribution via a private pension fund system to the 4m adult Bolivians. Fresh capital is used exclusively to increase the company's productive capacity.

Trying to give Bolivians a new stake: President Sánchez de Lozada is determined on a capitalisation of the public sector

The economy badly needs a kick-start. Bolivian rates of internal savings are historically low, even for Latin America – averaging 10.8 per cent of GDP over the past five years.

Annual growth, even at a steady 4 per cent, is inadequate to make deep inroads into Bolivia's immense poverty.

The president thinks he has the solution. He wants to turn his landlocked country into the power hub of South America, distributing natural gas from Bolivia (and eventually Peru) to Argentina, Chile, Paraguay and Brazil.

"That is our destiny and we aren't going to let it escape us," he proclaimed in an impassioned speech on April 9, commemorating the anniversary of his MNR party's revolution of 1952.

The dream rests on what government officials call the "energy triangle". One side is passage through Congress of a modern hydrocarbons law, already delayed. Another is the capitalisation of YPFB. The third is the planned $3bn pipeline which would will transport Bolivian natural gas to São Paulo and Porto Alegre in southern Brazil.

Bolivia needs to raise $440m for its share of pipeline construction and $620m for exploration and development of the reserves needed to make the project viable. With multilateral finance drying up rapidly, YPFB is now hard pressed to invest even $60m a year. Indeed, as reserves dwindle, the country faces the prospect of having to import fuel within eight years.

The logic of capitalisation seems obvious. Some 35 major international oil companies have pre-qualified to bid for YPFB's various units. Also, the four state companies already capitalised are bringing substantial investment to Bolivia.

At capitalisation, Bolivia's new strategic partners committed more than $835m. This represents more foreign investment than the country has attracted in the past 15 years. Entel, the telecommunications monopoly acquired last September by Stet of Italy, will pour an unprecedented $160m this year into modernising Bolivia's telephone system. The Brazilian airline VASP, which bought into Bolivia's flag carrier LAB in October, added this week a Boeing aircraft to the fleet it committed on capitalisation.

Most dramatic may be the plans of the three companies which capitalised the generating plants of what was the state-owned energy company Ende. Dominion Energy, Constellation Energy and Energy Initiatives, all of the US, now plan to invest $195m over the next five years, some $55m more than they committed when Ende was split and capitalised last June.

With Cobee, the already private generating company for the capital La Paz, the three are also contemplating a $600m investment in a project to export 450MW of power from Bolivia to Brazil's neighbouring Mato Grosso region.

"This is a huge undertaking for Bolivia, which now generates only 700MW in total," said Mr Roger Dupuis, Cobee's CEO in La Paz.

Many Bolivians seem to believe that the dynamic Mr Sánchez de Lozada will resolve the matter by imposing his will. Most remain sceptical about the future benefits of capitalisation. The COB is playing on deep mistrust, ignorance and xenophobia.

The battle for YPFB may not be the last. Some analysts predict the law establishing private pensions funds, now expected at about mid-year, will provoke even stiffer resistance from the COB.

NEWS: UK

BT links up with AT&T in London project

By Alan Cane in London

British Telecommunications and American Telephone and Telegraph have been forced to put rivalry aside to co-operate on a project to give London a world lead in electronic communications.

They have been appointed primary suppliers to LondonLink, a partnership between many of the capital's public and private sector organisations, dedicated to establishing an electronic mail, document transfer and information service.

It is believed to be the first time that BT and AT&T, the world's second and fifth biggest telecoms operators respectively, have collaborated on a project.

They were persuaded to do so only at the explicit instruction of the LondonLink management.

Neither company is receiving a contract fee. They will recoup their investment and make profits only if London organisations use the service.

It is understood that they were selected from a short-list of eight information technology and telecoms companies.

Mr Mike Lewis, BT market manager for global finance, said he thought that there was potential for "significant revenues".

Mr Jim Healy, AT&T principal for electronic commerce, said that it had taken time to get used to working closely with a competitor.

"The project was going "more smoothly than I thought it might ... so far", he said.

LondonLink, a subscription organisation, is organised by three groups, the London Pride Partnership, the London region of the Confederation of British Industry, and the London Research Centre.

It is chaired by Mr Geoffrey Doubleday, the managing director of information systems at Nomura International. Mr David Potter, the founder of Psion, the electronic organiser manufacturer, is the vice-chairman.

Mr Doubleday said yesterday that the appointment of BT and AT&T "means that significant industrial muscle is being put behind the achievement of genuinely easy to use, secure electronic communications which will be independent of the underlying technologies and used throughout London's public, private and voluntary sectors".

BT and AT&T are working with customers, including Nomura and UBS, on a pilot version of the system.

The commercial version is expected to go live on May 7.

The idea behind LondonLink is to develop technology capable of cutting through the confusion of incompatible electronic mail and document transfer systems which make it difficult or impossible for organisations to communicate simply and cheaply.

Mr Doubleday said: "Electronic communication stops at the front door. Organisations have built electronic fortresses." The new system will be expected to handle large confidential documents such as property valuations, personnel notes or merger and acquisition information.

Membership of LondonLink is at three levels, £5,000 annually for executive membership with voting rights, £3,500 a year for ordinary membership without voting rights and £350 for associate membership.

In each case, the member should be able to reclaim the fee from discounts on use of the service.

Government moves to boost shareholder power

By James Harding and David Wighton

Companies will be asked today to suggest safeguards against agitators at annual general meetings, as the government launches an initiative to increase shareholder power.

Ministers are concerned that proposals to enhance shareholders' rights "should not open the floodgates to AGM rowdies."

The Department of Trade and Industry is expected to publish a consultation paper today proposing new laws to make companies more accountable to all their shareholders.

The core proposal will be to amend the Companies Act to make it a statutory requirement for companies to print and circulate shareholder resolutions in advance of the AGM.

The idea has alarmed companies, which fear they will face a barrage of hostile resolutions, which they will have to publish and send to tens of thousands of shareholders at considerable expense. Company directors have also warned DTI ministers that the changes could prompt a wave of agitation at AGMs.

One minister said: "There has been concern that if you legislate to make companies distribute shareholder resolutions you could open up the problem of shareholder rowdies of the sort you have seen in Japan."

The DTI was sympathetic to these concerns and would consider suggestions for measures designed to minimise disruption at AGMs, he added.

The consultation process is also intended to allow companies to propose limits on the shareholder's right to table resolutions.

Two key safeguards will be to require someone tabling a resolution to have significant backing from fellow shareholders and for the resolution to be limited to a specific number of words and a specific subject.

Under the existing rules, 100 shareholders together holding more than £10,000 of a company's shares have to support a resolution if it is to be voted on at an AGM. Even with this level of support, the shareholders have to pay for printing and circulating the resolution.

Company directors have insisted that such thresholds are essential to prevent a waste of time and money.

Mr John Hughes, head of public affairs at RTZ, the mining business which has a history of lively AGMs, said yesterday: "You have to have a safeguard in place to stop vexatious amendments, so that ultimately ordinary shareholders do not have to pay for the costs of vexatious proposals."

However, Mr Donald Butcher, chairman of the UK Shareholders Association, denied that the proposals would encourage more frivolous resolutions and waste company money.

"It would be in the interests of both shareholders and companies for dissent to be more focused. Boards could suggest to pressure groups that if they have something to say they should put it down as a formal resolution which can be debated in a more constructive way."

Prospectus aims to attract investors worldwide

Rail sale campaign launched

By Charles Batchelor and George Parker

Railtrack, the British rail network which is to be privatised, set the scene yesterday for the launch of a worldwide marketing campaign for its shares, with the publication of a 253-page prospectus explaining the company, its markets and the regulatory regime within which it must work.

With the exception of the issue share price and the number of shares which will go on offer, the "pathfinder" prospectus is intended to provide potential investors with all the information they need to judge the company.

The company and its advisers believe they can justify a issue price of around 350p per share for a total market valuation of about £1.8bn. That would make Railtrack one of the smaller privatisations in the British government's programme but should qualify it – just – for the FT-SE 100 share index.

Railtrack, which has inherited the railway infrastructure comprising track, signalling and stations from British Rail, is the largest single company to be formed under rail privatisation and the only one to be sold off by way of a market flotation.

Publication of the prospectus prompted a renewed round of criticism from the Labour opposition party but Mr John Edmonds, Railtrack managing director, said: "The omens are all good. I think it will work. The propaganda has been very hostile but if anything that strengthens our resolve. I think people are going to be very surprised."

A total of 910,000 private UK investors have registered an interest in the issue through a share shop.

Tony Andrews

Pointing the way: Bob Horton, the Railtrack chairman, with John Edmonds, left, and Norman Broadhurst, finance director, at the unveiling of the marketing campaign for the latest privatisation of state-owned assets in the UK

UK retail sales surge ahead

By Graham Bowley, Economics Staff

Britain's biggest retailers reported yesterday that trade grew at its fastest rate for at least 2½ years last month although the figures were inflated by the busy Easter period.

The British Retail Consortium, the shops' trade association, said the value of retail sales in March was 7.5 per cent higher than in the same month a year earlier – the largest annual rise since it began producing sales data in January 1994.

The figures provided strong support for the view put forward by Mr Kenneth Clarke, the chancellor of the exchequer, that rapid consumer spending growth would be the linchpin of wider economic growth this year as the feel-good factor returns to shopping

Mr Andrew Higginson, chairman of the BRC economic affairs committee, said: "It is unquestionable that a strong trend is beginning to emerge as there is a general return of consumers to spending."

The figures were distorted by the fact that the Easter period, traditionally a busy time on the High Street, came earlier this year than last.

But even allowing for this distortion, the BRC said the figures pointed to a strong underlying annual growth rate of between 4.5 and 5 per cent, a sharp step up from average monthly sales growth of 4 per cent over the previous three months.

These latest figures are in line with other evidence which shows the contrasting fortunes of different parts of the economy and which suggest that while industry is stagnating, consumer demand remains buoyant.

The difficulties faced by manufacturing were illustrated yesterday when official figures showed that the price of goods leaving the factory gate last month rose at the slowest annual rate for 15 months.

The Office for National Statistics said producer output prices rose by 3.4 per cent in the year to March, the smallest annual increase since December 1994 and further evidence that weak demand in industry is preventing many manufacturers from raising prices.

Meanwhile, manufacturers' fuel and raw material costs rose slightly last month, although the rise in costs relative to the same month last year remained at its lowest since June 1994.

Mr Andrew Sentance, chief economic adviser to the BRC and a former member of the British Treasury's panel of independent economic advisers, said the pick-up in retail sales was likely to continue.

"With consumers now benefiting from tax reductions and lower mortgage rates, we can expect stronger retail spending to be sustained in the months to come," he said.

Black day for fans with grey shirts

By Patrick Harverson

Thousands of Manchester United supporters were left with the blues yesterday after the Reds dumped the grey for the white in a move that could add a final twist to the colourful English football season.

Less than 48 hours after United's English championship-chasing team changed shirts at half-time in a vain attempt to reverse a shock 3-0 deficit against lowly Southampton, the club officially abandoned its "unlucky" all-grey second strip for a new all-white version.

The decision, taken with the support of the strip's manufacturers Umbro, will upset the many United supporters who have paid more than £60 for the all-grey kit since its introduction at the start of the season.

In an attempt to mollify disgruntled fans, United said its new all-white shirts for away games will be sold at a £10 discount when they make their debut later this year.

However, their supporters may forgive the club if the decision to dump the grey marks a change in fortunes for United. Almost invincible in their first strip of red shirts and white shorts, the team has failed to win all five of the games in which it has sported grey colours.

Blair faces test of his leadership

By Robert Peston, Political Editor

The first serious attack on Mr Tony Blair's rigid control of statements by Labour spokesmen was made yesterday when Ms Clare Short, the shadow transport secretary, vowed that she would "not be silenced" in the wake of criticism of her weekend remarks about tax.

The dispute over Ms Short provided respite to Tory MPs, who return to Westminster today after the Easter break fearful that the government will soon lose its majority.

Ms Short is convinced that journalists and Mr Blair's advisers misinterpreted her comments that "in a fair tax system people like me would pay a little more tax". This was widely seen as undermining Mr Blair's recent pledge that under Labour there would be no increase in the tax burden for those on middle incomes.

Ms Short however believes her views were consistent with Mr Blair's policy, because she was making a personal statement of her "moral attitude".

Members of the shadow cabinet and Mr Blair's advisers both said yesterday that she had been "naive" in failing to anticipate that her statement would be seen as an attack on the Labour leader.

Ms Short rejected the criticism. There was effectively "a conspiracy to stop politicians talking honestly". "I will not be silenced", she insisted, before attacking Mr Blair's advisers as "so-called highly-placed sources", whom she did not "respect".

Senior Tories were delighted by the signs of Labour division, particularly since they have been targeting Ms Short as the shadow minister most likely to turn against Mr Blair. However they acknowledged that they face an uncomfortable week, having seen their majority fall to one after Thursday's Staffordshire South East by-election.

Ministers said yesterday that it was "highly likely" that they would soon be in a minority government. "Even if no one defects, the chances are that one of us will die," said one. "In the current circumstances, there is no way we can win a by-election".

Regulator to reduce burden on leading fund managers

By Nicholas Denton

Leading fund management companies are set to enjoy a looser regulatory regime under reforms announced yesterday by Imro, the UK's investment industry regulator.

Imro plans to reduce the regulatory burden on fund management companies which it deems low risk, while focusing resources on high-risk firms. "We are conscious that there are sheep and goats," said Mr Phillip Thorpe, the chief executive.

Inspections of low-risk institutions will be shorter, if more frequent, and reporting requirements will be simplified. A firm at present receiving one three-day visit a year could instead expect two one-day visits focusing on particular areas of its business.

Imro, which oversees 1,100 investment management companies, will devote more of the time of its 70-strong monitoring staff to the estimated 10 per cent of firms which have endemic problems complying with regulations.

The main beneficiaries of Imro's proposed reforms will be larger fund managers which have effective compliance procedures in place and provide services to pension funds and other institutional investors, rather than to retail investors.

"Anything that involves implementation of a grading structure that separates the quality players from the others has to be good news," said Mr Paul Manduca, the managing director of Threadneedle Asset Management.

The tailoring of regulation to fit a company's circumstances will be tested first in a pilot programme involving 50 companies and lasting about 12 months. If the experiment succeeds, it will be extended.

Mr Thorpe said Imro would face criticism if investors lost money placed with an institution it had judged relatively safe. "There is a risk to us on this," he said.

UK NEWS DIGEST

Drinks code for young widened

Leading brewers and distillers have widened their code of conduct on marketing to young consumers to include all their products – not just the alcoholic soft drinks that triggered public concern about under-age drinking early this year. The seven larger brewers and distillers, will unveil the code later this week. It is thought to include guidelines on naming, marketing and promotion of alcoholic drinks to prevent them being aimed at under-age drinkers.

"We were concerned about responsible marketing of all alcoholic drinks, not just those in one new and ill-defined sector," said one brewer. The code is thought to have attracted widespread support in the alcoholic drinks industry. However, the Portman Group will also need to persuade retailers and small producers to sign up to the code to ensure its credibility.

The code is likely to be criticised by some bodies outside the industry. Alcohol Concern, for example, had called for a code run by an independent body rather than the industry. Some large retailers say they already have strict rules on selling alcoholic drinks. *Roderick Oram, London*

Mis-selling payments decline

Payments of compensation to investors who were mis-sold financial products such as home income plans, fell last year but are likely to increase as victims of pension mis-selling start to put in claims. The Investors Compensation Scheme announced yesterday that it was raising a levy of £14.4m from the investment industry to fund compensation payments relating to the year to March.

The decline, from £16.6m in 1994-95, reflects a fall in the number of new mis-selling cases. In an announcement expected later this week the ICS – which was set up in 1988 to protect investors, theft and fraud by financial advisers – will declare in default seven financial advisers which gave bad pensions advice. *Nicholas Denton, London*

Warning on minimum wage

Employers in low-paying industries will face "enormous difficulties" if a legally enforceable national minimum wage – to which the Labour party is committed – is introduced, according to an interim report presented yesterday to the independent Employment Policy Institute.

The report suggests that even if the statutory low pay figure was set at £3.50 an hour, as employers expect it would be, and not the £4 most trade unions want, there would be "a large increase in labour costs". There would also be a severe reduction of jobs in small business units, an increase in the numbers employed in the black economy, price rises and upward wage pressures elsewhere in the labour market and no increase in employment opportunities. In addition, the study suggests that there would be a radical restructuring of the low paid industries, with a growth in the number of larger conglomerates. The study found widespread concern among likely affected companies about Labour's plan for a minimum wage. *Robert Taylor, London*

Leyland launches new truck

Leyland Trucks, Britain's biggest independent truckmaker, will today launch its first significant new model since the collapse of the former Leyland-Daf commercial vehicles group in 1993. The 55 Series, which has required a £25m investment, has gone ahead in spite of worrying signals about the health of the truck market this year.

Registrations of trucks of more than 3.5 tonnes fell by 2.8 per cent in the first quarter of this year, prompting fears in the industry that the market is set for a significant decline after a period of growth after the recession. *Haig Simonian, London*

Labour reviews tourism VAT

Labour will today promise to review the case for cutting Value Added Tax on hotel accommodation, as part of a package of measures to help tourism. Mr Jack Cunningham, shadow heritage secretary, believes the tourist industry is losing out to European competitors because of high rates of domestic VAT.

Mr Cunningham will announce in a speech to a tourism conference in London today that the issue is being addressed by Labour's Treasury team as part of its review of corporate taxation. He believes the industry has a good case, although he will stress that he is not in a position to make tax promises in advance of an election. *George Parker, London*

Major supports monarchy

Mr John Major, the prime minister, yesterday rejected suggestions that the monarchy should be radically overhauled, and hailed the Queen as a "a very fine exponent of constitutional monarchy". He said the monarchy was "rock solid" in spite of the royal family's recent troubles, and the institution retained the widespread support of the British people.

Mr Major said in a pre-recorded BBC interview to mark the Queen's 70th birthday on April 21: "I see no reason for revolutionary changes in the way the monarchy behaves and in what the monarchy does." *George Parker, London*

Support for accounting vision

A controversial vision of the future of British accounting put forward by the Accounting Standards Board won qualified support from the majority of chartered accountants yesterday. The Institute of Chartered Accountants in England and Wales, with 110,000 members, said that while the board needed to rethink its vision the problems were not "terminal".

It called on the board to rewrite its statement of principles and to slow down the pace of change to make sure that the UK did not find itself internationally isolated.

While the general response to the statement has been more supportive, most of the rest of the accountancy profession has criticisms of the draft document. *Jim Kelly, London*

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday April 16 1996

IN BRIEF

US brokers report record first terms

High levels of activity in financial markets have led to record first-quarter profits for Merrill Lynch, PaineWebber and Smith Barney, the Wall Street securities houses. The results continue the trend seen from Goldman Sachs, Morgan Stanley and Lehman Brothers. Page 21

Jakarta group buys indirect Satelindo stake
Jakarta International Hotel & Development, a listed Indonesian property company, is buying a 21 per cent indirect stake in Satelindo, the Indonesian satellite telecoms company, in a $401m deal. Analysts say JIHD is buying at a discount of about 20 per cent to the price paid last year by Deutsche Telekom for a 25 per cent stake. Page 18

La Seda welcomed back to bourse
La Seda de Barcelona, Spain's leading synthetic fibres producer, made a triumphant return to the domestic stock market, five years after a decision by Akzo, the Dutch chemicals group, to pull out of its shareholding brought it to the brink of bankruptcy and halted trading in its shares. Page 19

Oracle claims network computer demand
Mr Larry Ellison, chairman and chief executive of Oracle, the world's second largest software company, claimed large companies – including Boeing, the US aerospace group – had expressed enthusiasm for the concept of cut-price network computers. Page 20

Time Warner cash flow jumps 32%
Time Warner, the US media group, produced a 32 per cent rise in cash flow for the first quarter to $899m, with a strong recovery in its cable TV operations partly offset by weakness in the recorded music business. Page 22

Hardy Oil sells US assets to Enron arm
Hardy Oil & Gas, the independent UK exploration and production company, announced the sale of its Hardy US operation for £118m ($179m) to Enron Capital and Trade Resources, a subsidiary of the US energy group Enron. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	424	+	10.2
Didier-Werke	124	+	5.2
Henkel	574	+	31.5
VEW	486	+	14
Falls			
DLW	133.3	–	5.7
PWA	209.7	–	11.3
NEW YORK ($)			
Rises			
Diana Corp	43¾	+	3½
Enserch	20¾	+	4¼
Falls			
Cyrix Sys	26	–	4¾
Global Inds	19½	–	2¾
SPS Trans Svc	26	–	2⅝
Solectron	40¼	–	4¼
LONDON (Pence)			
Rises			
ERF	207	+	22
Fired Earth	94	+	9
Friendly Hts	169	+	16
Learmonth & Bt	153	+	15
Parkland	182	+	22
Sloma	65	+	10
TORONTO (C$)			
Rises			
Iona Appliance	9.75	+	0.88
TLC Laser	7.4	+	0.9
Versacold	9.5	+	1
Falls			
Celanese Can	21.9	–	2.6
Old Canada Inv	4	–	0.75
Pet Valu	7	–	1
PARIS (FFr)			
Rises			
Schneider	238	+	7.1
Falls			
Cred Lyon	200	–	9
Imetal	723	–	12
Interbail	262	–	8
Legris	227.2	–	10.8
Technip	461	–	10
TOKYO (Yen)			
Rises			
Asics	387	+	32
Brother Ind	724	+	87
Janome Sewing	380	+	34
Kureha Chemical	680	+	72
Nihon Printing	835	+	100
Nippon Sulsan	512	+	52
HONG KONG (HK$)			
Rises			
Dah Hwa Intl	6.7	+	0.5
Far East Hlls	2.6	+	0.425
HK Bldg & Loan	22	+	0.9
Kai Ming Inv	8.45	+	0.6
Sime Darby HK	7.25	+	0.4
Falls			
Texwinca	1.83	–	0.07

Bangkok closed. New York & Toronto prices at 12.30.

Holzmann falls into unexpected loss

Lower property values lead to reversal of forecast

By Andrew Fisher in Frankfurt

Philipp Holzmann, Germany's biggest construction group which is fighting off a bid attempt by its smaller rival Hochtief, yesterday reversed its previous profit forecast by revealing that the sharp slide in domestic property values caused a net loss of DM360m ($242m) last year.

Lower valuations of German projects in which it is involved – especially through Vebag, its Swiss-based property development subsidiary – had led to a need for special provisions and write-downs totalling around DM460m. The group made a pre-tax loss of around DM345m.

The DM360m loss after taxes compares with a 1994 profit of DM120m. Holzmann will pay no dividend, having earlier stated that shareholders would receive a payout despite the poor state of the building economy, which would depress profits.

The company said the problems mainly reflected the worsening state of the German property market. Most projects subject to heavy cuts in market valuation are office and other commercial sites.

Holzmann said the provisions, write-downs and related losses were prompted by a report carried out by accountants KPMG Deutsche Treuhand. They were called in at the end of last year, but Holzmann said it had no inkling then that the financial consequences would be so bad. However, it said that the provisions being made in its 1995 accounts would put the group on a new basis for "a positive development in 1996".

Mr Ingbert Faust, analyst at UBS global research, said the Holzmann news was "a complete surprise" and would not be well received in the market. "This contradicts what they said in February," he added.

Mr Lothar Meyer, Holzmann's chairman, said then that net profits would be down because of project losses in Munich and Dessau and lower rental expectations from some projects. He said Holzmann would pay a "good dividend" after the 1994 payment of DM13.50 a share.

The main problems have stemmed from projects undertaken by Vebag. Holzmann doubled its stake in Vebag to 100 per cent last year and only later became aware of the true state of its order book.

The German company said it would have been able to pay a dividend for 1995 out of its normal operating profits, totalling some DM115m at the pre-tax level. After tax, this would have been about DM60m. But the management decided to make comprehensive provisions against the valuation risks thrown up by the KPMG report.

A ruling from the Federal Cartel Office on Hochtief's bid is expected in September.

Philip Morris slashes prices of cereals

By Richard Tomkins in New York

Philip Morris, the US tobacco and food group, yesterday set the scene for a price war in the US breakfast cereal industry by slashing the list prices of its cereal products by an average of 20 per cent.

The move came almost three years to the day after Philip Morris made a similar move in the US cigarette market, slashing the price of Marlboro and its other premium cigarette brands by nearly 20 per cent to win back market share from lower cost rivals.

The price war that followed "Marlboro Friday" temporarily devastated tobacco industry share prices and profits, but Philip Morris eventually came out on top by gaining market share.

Philip Morris is one of the biggest breakfast cereal makers in the US. Through its Kraft Foods subsidiary, it owns Post Cereal, which sells 22 cereals in the US under the Post and Nabisco brands – among them, Post's Grape Nuts and Nabisco's Shredded Wheat.

Breakfast cereals represent the biggest category in US supermarkets after fizzy drinks. Food industry analysts have long said that the sector could be ripe for a price war because the big brands face fierce competition from cheaper private-label products which have been gaining market share.

Until recently, the big cereal makers had adopted a policy of charging high prices for their products, but lowering effective prices to consumers with money-off coupons and special offers such as one free pack for every pack bought.

In 1994, the other big US breakfast cereal makers Kellogg and General Mills announced that they were cutting this promotional spending. General Mills also trimmed prices, but Kellogg kept its prices the same: so in effect, consumers ended up paying more for Kellogg products at the check-out because there were not as many special offers.

Post Cereal said yesterday that it was also cutting back on promotional offers such as money-off coupons, but it would allow any Post or Nabisco coupon to be used for any Post or Nabisco cereal.

The price cuts will reduce the suggested retail price of most Post products to $2.99 for the popular sized pack. Previous prices ranged from $3.88 to $4.13.

Kraft Foods acknowledged that the price cuts would have a short-term impact on profits, but said it was making the sacrifice in the expectation of increasing volumes and, in the long run, generating better returns.

Kellogg said yesterday that it would continue its pricing strategy, making its decisions on a product-by-product basis. General Foods could not be contacted for comment.

Shanghai glass venture falls 32%

By Tony Walker in Beijing

Shanghai Yaohua Pilkington Glass, one of the leaders in the Shanghai B-share market, recorded a 32 per cent drop in after-tax profit in 1995 to Yn189.76m ($22.86m). The fall reinforces the trend of weak results from companies involved in the construction sector, according to local brokers.

Yaohua Pilkington, a Sino-British joint venture in which Pilkington of the UK holds an 8.35 per cent stake, blamed a continuing credit squeeze and a slowdown in the construction sector for the difficult year.

Shanghai brokers said they expected 1996 to be another tough year unless the government eased credit in the second half.

Mr John Crossman, chief representative of Jardine Fleming, said it appeared foreign exchange losses and higher than expected interest charges had contributed to the indifferent result.

He said increased competition from other glass manufacturers had squeezed margins in a tight market. Tough trading conditions internationally had also had an impact on the company's profits, with margins overseas lower than those in the domestic market.

Turnover increased 2.9 per cent to Yn646.434m from Yn628.237m in 1995. Earnings per share reached Yn0.67 compared with Yn0.65.

Yaohua Pilkington, whose foreign currency B-shares account for 25.64 per cent of the company's 390m outstanding shares, is increasing capacity at its Shanghai facility with the addition of a second float glass production line.

It is also investing in a plant to manufacture safety glass for vehicles. This is due to open in the first half of this year.

● Yaohua Pilkington planned a 2.5-for-10 bonus issue to all shareholders from 1995 earnings, it said yesterday. The plans have been approved by directors and will be submitted to shareholders for approval at a meeting on May 23, according to the Shanghai Securities News.

Corporate raider appears to be losing the fight for the US group

LeBow camp prepares for crucial battle in RJR siege

The barbarians are back at the gate: and tomorrow will determine whether or not they get in.

Seven years ago RJR Nabisco, US maker of Camel cigarettes and Ritz crackers, became the object of the world's biggest leveraged buy-out when it fell victim to a takeover by Kohlberg Kravis Roberts for $25bn.

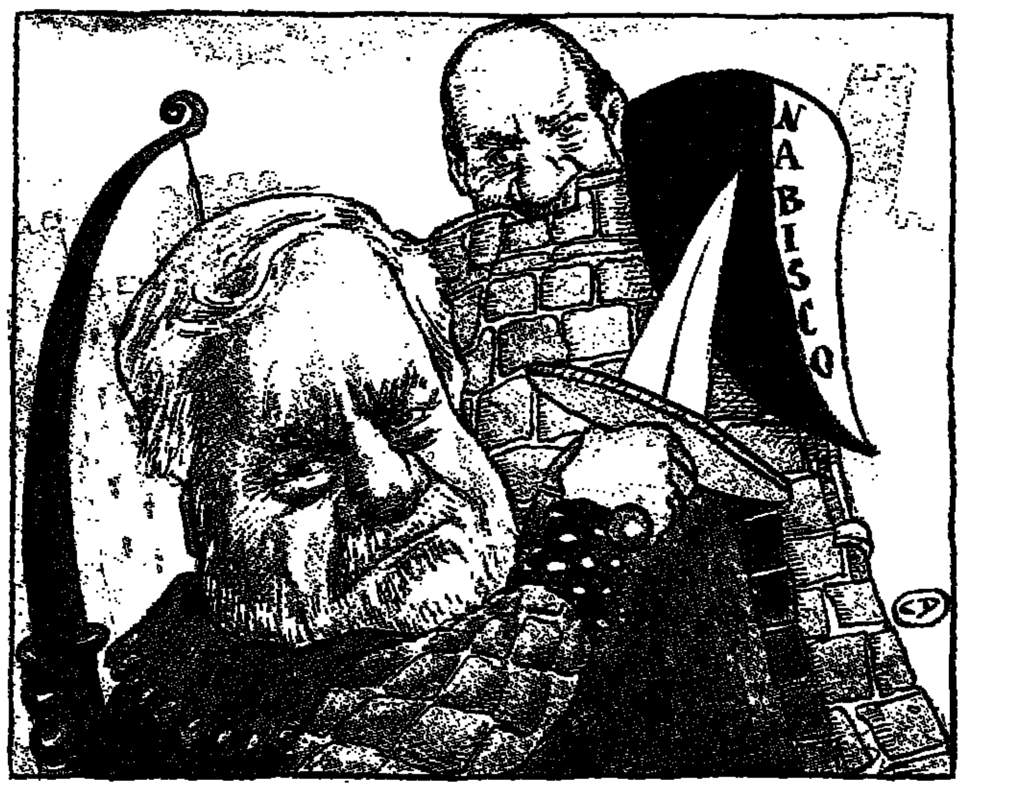
Now, RJR Nabisco is under siege again – this time by the US corporate raider Mr Bennett LeBow. And at the company's annual meeting tomorrow in Winston-Salem, North Carolina, it will emerge whether Mr LeBow has won enough shareholder support to take control of the company.

The way was opened to Mr LeBow's approach when KKR, having taken RJR Nabisco private in 1989 and brought it back to the market in 1991, sold its remaining stake in the company last year. It was the end of a sorry saga. Partly because of the heavy burden of debt imposed by KKR's buy-out, RJR Nabisco turned in a dismal financial performance over the years. KKR's gross return over the life of the investment turned out to be practically zero.

Within weeks of KKR's exit, RJR Nabisco received a surprise approach from Mr LeBow, a second division buy-out artist who had earned a controversial reputation over the years for financing a lavish lifestyle through his business dealings. On one occasion, shareholders in Brooke Group, the holding company that serves as his investment vehicle, took Mr LeBow to court to recover $16m in unrepaid loans and $6.25m in preferred dividends he had taken out of the company. Mr LeBow returned the money with interest.

In his approach to RJR Nabisco, Mr LeBow suggested the company should increase shareholder value by spinning off the Nabisco food business, so freeing it from the blight of litigation afflicting the R. J. Reynolds tobacco business (and hence, RJR Nabisco's share price).

However, Mr Steven Goldstone, RJR Nabisco's chief executive, says Mr LeBow's real motive was to get rid of Liggett, a poorly-performing US cigarette company Mr LeBow had bought from Grand Metropolitan of the UK for $137m in 1986. As part of the spin-off, Mr Goldstone says, Mr LeBow proposed that RJR Nabisco should merge with Liggett in a deal valuing Liggett at $400m. This for a company worth at best $100m, Mr Goldstone says.



Steven Goldstone's RJR Nabisco has shown Bennett LeBow the door once before. But the fight continues

RJR Nabisco showed Mr LeBow the door, but soon enough he was back. In partnership with Mr Carl Icahn, another corporate raider, he built up a stake of 5.8 per cent in RJR Nabisco and started soliciting shareholders to support his spin-off proposal.

Initially, it looked like a straightforward proxy fight. Mr Goldstone said RJR Nabisco was committed to an eventual spin-off, but to press ahead with it now would bring a wave of injunctions from anti-tobacco plaintiffs. Mr LeBow said the fears were exaggerated and RJR Nabisco had no real intention of ever carrying out a demerger.

Then, last month, Mr LeBow sprang his coup. In a move that stunned the tobacco industry, he struck a deal with anti-tobacco plaintiffs under which they agreed to eliminate Liggett from their lawsuits in return for 12.5 per cent of its pre-tax profits.

Significantly, the plaintiffs also agreed that the deal should extend to RJR Nabisco or any other tobacco company that merged with Liggett (except Philip Morris, which is much richer than the rest); and they agreed not to block a spin-off of RJR Nabisco's food business.

At first sight, the deal seemed to put RJR Nabisco under heavy pressure to merge with Liggett. Although the settlement would take $120m a year out of RJR Nabisco's pre-tax profits, the company's share price would soar if the threat of litigation were removed. But Mr Goldstone argued that the settlement made matters worse because the scent of success would give rise to a tidal wave of litigation.

The stock market seemed to agree. Tobacco stocks slumped as investors digested the deal's implications, and tobacco industry analysts took the view that Mr LeBow's move had backfired.

Another indication that Mr LeBow was losing his battle for control of RJR Nabisco came last week when Institutional Shareholder Services, an influential organisation that lobbies for shareholder rights, switched sides and advised shareholders to support RJR Nabisco's board.

Previously, ISS had backed the idea of a spin-off, saying it saw little downside risk in attempting the transaction. But in its latest report, ISS said Mr LeBow's settlement with the anti-tobacco plaintiffs made it clear that his primary motive was to merge Liggett with RJR Nabisco, a move that held no value for RJR Nabisco's shareholders. Further, the settlement with the anti-tobacco plaintiffs presented a "substantial" risk, it said.

Things, then, are not looking good for Mr LeBow. Mr Lawrence Adelman, an analyst at Dean Witter Reynolds, says: "All of the informal polling that we've done, which is on a purely non-scientific basis, indicates that RJR will win the vote."

That could change if Mr LeBow can spring another surprise. But at this late stage, it looks as though this is one siege that RJR Nabisco might just win.

Richard Tomkins

US Internet group buys security company for $200m

By Louise Kehoe in San Francisco

RSA Data Security, the leading provider of encryption technology for Internet and electronic commerce security, is to be acquired by Security Dynamics in a stock deal valued at about $200m.

Security Dynamics share price jumped 37 per cent to $82 in mid-session yesterday, up from Friday's close of $49⅞, on news of the acquisition.

The deal gives Security Dynamics, which has developed security products for computer networks, control over encryption patents. These are at the centre of efforts to ensure the privacy of Internet messages and provide security for financial transactions conducted on computer networks.

RSA's technology is used to scramble electronic mail messages, so that they can only be read by the intended recipient and to verify the identity of people who send messages or purchase goods and services over the Internet.

RSA would become a wholly-owned subsidiary of Security Dynamics and would continue to license its technology to third parties, the companies said.

RSA, which had sales last year of $13m, currently licenses its encryption algorithms to companies including Netscape Communications, Microsoft, IBM, AT&T, Motorola, Apple Computer and Sun Microsystems. The RSA technology is also at the centre of a proposed system for protecting credit card transactions on the Internet which is being developed by Visa International and MasterCard.

The acquisition is subject to shareholder approval, but RSA stockholders representing about 70 per cent of outstanding shares have already agreed to vote in favour of the deal.

"RSA's technology is an excellent fit with Security Dynamics' enterprise-wide security solutions," said Mr Charles Stuckey Jr, president and chief executive of Security Dynamics.

"In the rapidly growing Internet and intranet markets, security has become one of the major issues," he said.

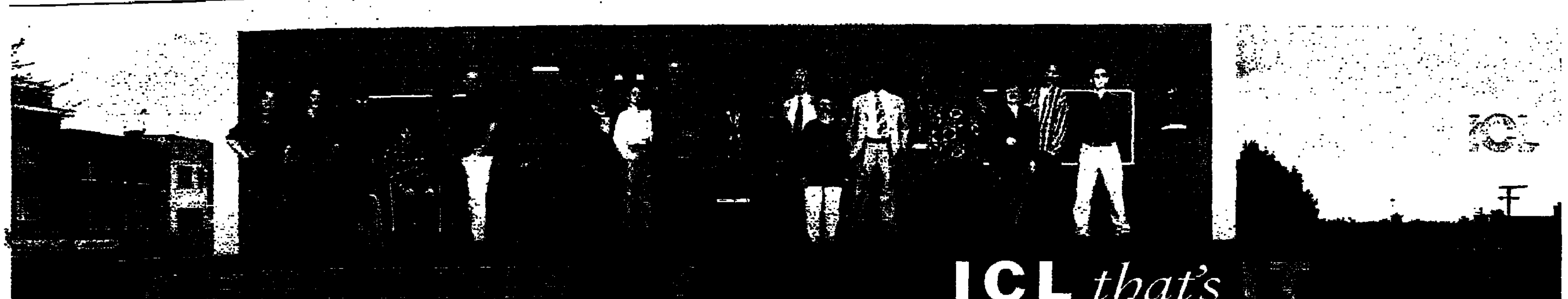
Industry analysts have been predicting consolidation in the emerging Internet security market which is crowded with dozens of small companies each addressing one or two aspects of the problem.

Security Dynamics' identification and authentication technologies would complement RSA Data's encryption technologies, analysts said.

Yesterday, Security Dynamics reported first-quarter results with revenues of $12.2m for the quarter, an increase of 55 per cent over the same period last year.

Net income jumped 128 per cent to $2.55m. Sales were driven by heightened security concerns surrounding commercial use of the Internet, said Mr Stuckey.

Hacker's paradise, Page 10



Jakarta developer to take indirect stake in Satelindo

By Manuela Saragosa in Jakarta

Jakarta International Hotel & Development, a publicly-listed Indonesian property company, is buying a 21 per cent indirect stake in Satelindo, the Indonesian satellite telecoms company which competes with Indosat, the state-controlled telecoms company, in providing international call services.

JIHD is raising Rp854bn ($366.4m) in a three-for-two rights issue to help pay $401m for a 95 per cent stake in Graha Jakarta Sentosa, an investment holding company, which holds 50 per cent of Bimagraha Telekomindo. Bimagraha owns 45 per cent of Satelindo.

Analysts say the deal is structured in a way that allows JIHD to buy into Satelindo at a discount of about 20 per cent to the price paid by Deutsche Telekom, which last year paid $586m for a 25 per cent stake in Satelindo following intense competition with the UK's Cable and Wireless, Nynex of the US, and France Telecom.

There was some debate about whether Deutsche Telekom had paid too much for the stake but a subsequent deal, in which PTT Nederland paid $304m for a 17.3 per cent stake in Telkomsel, the cellular phone operator, quelled that argument. However, "JIHD still appears to be getting a back-door discount", commented an analyst at a foreign securities firm in Jakarta.

JIHD said the rights issue was designed to smooth the company's earnings stream, which is cyclical because of its focus on property. The company is offering three new shares priced at Rp1,475 each for every two held, or 579m new shares in total.

JIHD has no telecoms interests. But its majority shareholders, Mr Tomy Winarta and Mr Sugianto Kusuma, are thought to have personal stakes in Bimagraha.

Satelindo is jointly owned by Telkom, the state-owned domestic telecoms company, Indosat and Bimagraha (in which Mr Bambang Trihatmodjo, youngest son of Indonesian President Suharto, has a 20 per cent stake through the listed group he controls, Bimantara Citra).

Satelindo has been licensed by the government to operate Indonesia's third generation of satellites, known as the Palapa C series. It also manages a cellular mobile phone system and international calls. The group competes with Indosat in international direct dial services, and its market share has increased, even though competition is limited to marketing rather than pricing.

Stronger bullion price lifts Gengold

By Mark Ashurst in Johannesburg

A stronger bullion price and good progress at loss-making mines boosted distributable profits at Gengold, the gold division of South African mining finance house Gencor, to R51.5m ($12.4m) in the March quarter.

This is an 80 per cent improvement on the previous quarter's bottom-line profits of R28.4m, and reflects a turnround at Kinross mine, which posted profits of R8.9m after losses of more than R1m in the three months to December 1995.

Analysts reacted favourably to the results, which were generally in line with expectations. The improvement supported the view expressed in 1994 by Gencor's chairman, Mr Brian Gilbertson, that a weaker rand would ameliorate the effects of disparities between dollar and rand bullion prices.

Analysts also expect improved quarterly results from other gold mines this week, as the industry has been experiencing some reprieve from its long-term decline.

Gengold's flagship Beatrix mine, which has forward sold all its production for eight years, reported a 15 per cent rise in attributable income to R34.6m from R30.1m, as higher bullion prices offset a fall in tons milled and a slight rise in working costs. Operating income fell to R81.4m from R82.2m while after-tax income rose to R53.8m from R47.9m.

The turnround at Kinross mine, after losses in two consecutive quarters, was marred by a 13 per cent fall in tonnage milled, to 366,000 tons from 420,000 tons. Yield improved to 6.4g/ton from 5.5g, but analysts cautioned that the lower production was due to insufficient capital expenditure of R8.4m, against R9.6m.

"Kinross looks good, but there is a lack of development which is forcing them to clean up in older areas where the ore is good. They do not have the flexibility to explore new ore bodies," said one analyst. Estimated capital expenditure at Kinross over the next six months was R8m.

NEWS DIGEST

Indonesian cement group's profit soars

Semen Cibinong, one of Indonesia's larger cement manufacturers, said net profit in 1995 almost doubled on a 38 per cent improvement in operating margins.

Net profit last year rose to Rp92bn ($39.5m) from Rp53.2bn a year earlier. Net sales increased by almost 30 per cent to Rp695bn as "a result of increases in both the government's guideline price for cement and sales volumes", the company said.

Indonesia's cement consumption grew by 12 per cent last year to 24m tons. Semen Cibinong said it maintained market share of 17 per cent in Indonesia and 23 per cent in Java, the main island which accounts for some 70 per cent of total Indonesian cement demand.

The company said it would be constructing another cement plant with capacity of 2.6m tons a year, in addition to its planned 2.6m ton expansion at Cilacap, on the south coast of Java, to meet rising demand.

Together with the Cilacap expansion, which Semen Cibinong says is on schedule to come on stream in 1997, the company's production capacity will rise to 9.7m tonnes.

Manuela Saragosa, Jakarta

Normandy unit in magnesia move

Commercial Minerals, the industrial minerals arm of Mr Robert Champion de Crespigny's Normandy mining group, is to buy a 40 per cent interest in the Queensland Magnesia joint venture for A$63m (US$49.8m), but only as agent for the listed Queensland Metals Corporation.

When the stake passes to QMC, it will give the buyer 100 per cent ownership of the project, which has been producing deadburned and electrofused magnesia from the Kunwarara mine for several years. The Kunwarara deposit is said to be the world's largest deposit of cryptocrystalline magnesite.

Under the complex deal, QMC is proposing separately to raise about A$112m through a placement and rights issue of new shares. Commercial Minerals, which has an existing 10 per cent holding in QMC, will take up the placement, rights issue entitlement and also sub-underwrite the issue, so that its total financial commitment is about A$65m. As a result, the Normandy subsidiary will see its stake in QMC increase, possibly to as much as 35 per cent.

Should the QMC fundraising – which requires shareholder approval – not proceed, Commercial Minerals said it would complete the purchase of 40 per cent interest in the Kunwarara project as principal.

The stake in the Queensland Magnesia joint venture is being sold by Pancontinental Mining.

Nikki Tait, Sydney

Taiwan carrier stages recovery

China Airlines (CAL), Taiwan's leading carrier, has recovered from troubles following a 1993 crash at Japan's Nagoya airport and is expanding to stay ahead of domestic competition in a fast-growing market.

The company posted net profits of T$1.23bn (US$45.3m) on sales of T$49.90bn in 1995, up from T$452.81m on turnover of T$43.23bn the previous year. It expects revenues to rise by more than 4 per cent this year to T$52.14bn due to growth in air traffic.

CAL has six Boeing 737-800 aircraft on firm order with an option to purchase nine more.

Like other Taiwanese carriers, CAL is eyeing not only the country's growing outbound traffic, but also the anticipated opening of direct flights between Taiwan and China. Taiwan has extensive trade and investment ties to China and under current Taiwan law, all cross-strait travel must be routed through a third location, usually Hong Kong. No date has been set but many industry executives believe the ban on direct flights could be lifted in the next few years.

Elsewhere, CAL is seeking to add to existing destinations. High on the priority list is the resumption of services to Osaka and Seoul. Direct passenger flights to Osaka were suspended in the mid-1970s due to diplomatic conflicts with China. CAL hopes the Seoul route, suspended after South Korea broke off diplomatic relations with Taipei in the early 1990s, can be reinstated this summer. Air rights to Moscow are under negotiation.

Laura Tyson, Taipei

Lippo Bank plans rights issue

Lippo Bank, one of Indonesia's leading commercial banks, said it plans to issue 142.8m new shares at Rp2,100 each in a one-for-two rights issue, subject to approval byshareholders next month. Proceeds will be used to support the bank's operations.

Manuela Saragosa

Inmet believed to have sold MIM holding

By Nikki Tait in Sydney

Canada's Inmet Mining, formerly the mining arm of Metallgesellschaft before it was spun off by the German industrial group almost two years ago, is understood to have sold its remaining holding in MIM, the Queensland-based mining company.

Two lines of 75m shares in MIM went through the Australian stock market after trading officially closed, with Bain Securities confirming it had bought the parcel and then sold the stock on to local and international institutions.

The sale was said to have taken place at around A$1.91 a share, netting Inmet about A$140m (US$110.7m). The stake represented just less than 5 per cent of the Australian group's equity.

MIM said that, assuming Inmet had been the seller, it viewed the disposal as "mildly positive", since it eliminated what had been seen as a potential stock overhang. MIM shares had earlier closed 5 cents higher at A$1.98.

Until a couple of years ago, MIM and Metallgesellschaft were closely linked by share stakes in each other and a number of jointly-held commercial interests. But financial pressure forced the German company to place out the bulk of its interest in MIM in 1994. The Australian group was also anxious to unwind its network of overseas "non-core" investments.

● North, the Melbourne-based mining group, said yesterday that it was seeking "an urgent meeting" with the New South Wales state government, in an effort to get the decision banning its proposed A$177m gold mine near Lake Cowal reversed. The state government decision was made on environmental grounds.

The company noted the state premier's concern about the appropriate level of cyanide – used for treating the ore – at the mine, and said it would be willing to discuss the matter.

La Seda shares surge 15% on return to bourse

By Tom Burns in Madrid

La Seda de Barcelona, Spain's leading synthetic fibres producer, made a triumphant return to the domestic stock market yesterday, five years after a controversial decision by Akzo, the Dutch chemicals group, to pull out of its shareholding brought La Seda to the brink of bankruptcy and halted trading in its shares.

La Seda shares, which have a par value of Pta500, rose within minutes from an an unexpectedly high opening price of Pta700, to Pta805, the maximum 15 per cent rise allowed by the stock market commission on the first day of their re-listing. They had tumbled to Pta290 in July 1991 when trading was suspended.

The shares' strong performance gave the company a market capital of Pta8bn ($63m). It also appeared to vindicate a decision to back La Seda that was taken early last year by a group of financial investors led by Hambro European Ventures, Swiss Bank Corporation and Catalana d'Iniciatives, a venture capital agency owned by the city council of Barcelona, where La Seda has its headquarters, and by the local Catalan government.

"It would be reasonable to suppose that La Seda will soon be in a position to attract an industrial partner and to raise capital," said Mr Ignacio Moreno, an analyst at stockbrokers Beta Capital in Barcelona.

At the end of last year, La Seda's board said it would launch a Pta2.5bn rights issue once it had succeeded in returning to the stock market.

La Seda was rocked five years ago when Akzo, which then owned 57 per cent of its equity, abruptly said it was in effect writing off its investment. The Dutch group had become concerned that the losses incurred by its Spanish subsidiary would have an increasingly negative impact on its group earnings.

An offer by Akzo to transfer its La Seda shareholding for a symbolic Pta1 to the company's creditor banks prompted a public outcry - it was the first instance of a multinational walking away from a Spanish subsidiary - and a bitter round of negotiations with the banks, which insisted Akzo find a new owner for the company.

A subsequent decision by the Dutch group to sell the company to a Barcelona lawyer, Mr Jacinto Soler Padró, angered minority shareholders who doubted the buyer's solvency. Subsequent litigation was only settled out of court last year after La Seda had managed to attract fresh finance.

The funding, which totalled Pta6bn, served to rationalise the company's product line and to focus its output on polyethylene terephthalate (PET), an environment-friendly packaging material also used in the manufacture of textiles.

La Seda posted net profits of Pta4.9bn last year on sales of Pta44.9bn.

In 1991 the company had reported sales of Pta21.4bn and losses of Pta3.9bn.

VW's Spanish unit plans to lift output

Volkswagen's Spanish subsidiary, Seat, said it planned to raise production to 410,000 units in 1996 from 345,000 last year, *AFX News reports from Madrid*. Mr Juan Llorens, Seat chief executive, said at a press conference he expected automotive sales to increase between 4 per cent and 8 per cent in 1996, adding, "The only way for the market to go is up, given that it is currently in a very depressed situation."

● Indra, the Spanish state-controlled electronics group, plans to raise its stake in Amper, the Spanish electronics company, from 9.4 to 24.7 per cent with the purchase of Telefonica de España's 15.3 per cent in the company, the financial daily Cinco Dias reported. Cost of the deal is about Pta4bn ($31.8m), it said.

According to the report, the objective behind Indra's decision is to merge its telecommunications systems business with Amper's subsidiary Amper Datos in order to create a single Spanish group in this area.

Telecoms chief faces toughest test

Deutsche Telekom flotation will call on Ron Sommer's PR skills

Mr Ron Sommer, Deutsche Telekom's self-assured and energetic chief executive, has a capacity for turning misfortune to his advantage. It is a skill he may need in the run-up to the company's DM15bn ($10bn) flotation in November.

His abilities were apparent in January when his company was engulfed in a crisis that had all the makings of a public relations disaster. Customers already angered by the raising of local charges to pay for more competitive long-distance rates were further incensed when faulty computer software charged them at normal, rather than holiday, rates for calls on new year's day.

Mr Sommer's response, apart from compensating those overcharged, was to declare February 25 "Telekom Sunday", when the operator's 40m customers could make calls at the lowest rate. "So now you see how we manage catastrophe. I do not know any company in the world which could have done it better," he says.

The 47-year-old, Israeli-born former chief executive of Sony Europe has impressed observers in his first year as head of Europe's largest telecoms group. One banker associated with the float said: "He has all the essential ingredients to lead the company into privatisation and beyond."

These qualities include an unstuffy manner, an appreciation of the importance of marketing, and an understanding, not common in senior executives of monopoly operators, that customers matter.

He now has in place a revitalised management board, or *Vorstand*, including Mr Erik Jan Nederkoorn, in charge of international business, and Mr Hagen Hultzsch, who heads technical services. Both come from outside the traditional telecoms business and share his business attitude.

What Mr Sommer lacks is time. "We are trying to do everything at once. Look what we have achieved over the past year or so and compare it with what our global competitors have done in 12 or 14 years."

He points to the launch at the end of January of Global One, Telekom's international joint venture with France Télécom and Sprint of the US, and to its collaboration with Ameritech in the MagyarCom consortium which won a 30 per cent stake in the Hungarian national operator, Matav.

International developments, however, pale in comparison with the domestic challenges of reducing both debt and staff numbers. For Mr Sommer, removing layers of staff in an equitable fashion represents the biggest challenge.

At the end of 1995, Telekom had 213,000 staff, half of them civil servants. He plans to reduce that number to 170,000 through voluntary redundancy, by 2000.

What is the logic behind the 170,000 jobs target? "This is based on the mid-range plan of the company; the businesses we are in; and the kind of productivity and the increase in value we would like to see for our one old shareholder and numerous new ones," he says.

"The real issue for Deutsche Telekom is not how many people is the right number. The real issue is how quickly we can become strong where we are weak – this includes the area of customer friendliness where we are already changing rapidly - as well how quickly we can develop new businesses in the area of, for example, multimedia."

The way the industry will be regulated after January 1 1998, when EU rules say Europe's telecoms markets must be opened to full competition, is another concern.

He seems set for a row with post and telecoms minister Mr Wolfgang Bötsch over price cuts agreed with his predecessor Mr Helmut Ricke, to take effect in 1998. He believes they are weighted unfairly against Telekom. "It is a red carpet policy for our global competitors like AT&T and British Telecommunications."

Ron Sommer: 'We have decided no longer to be a sleeping giant'

BT has an alliance in Germany with Viag and RWE; Cable and Wireless has linked up with Veba and its telecom arm, Vebacom.

To tackle global competition, Mr Sommer will have to continue to rebalance long-distance and local call charges. The most recent figures from the International Telecommunications Users Group suggests that a five minute call over 300km costs about four times as much as a similar call in the UK.

"We have decided," says Mr Sommer, "no longer to be the friendly sleeping giant. We are determined to fight for every customer."

However, plans to offer corporate clients rebates of up to 39 per cent, approved by the German government earlier this year, have been frozen by the European Commission, which wants to see the same rebates offered to Telekom's private sector competitors such as Mannesmann and Viag.

Mr Sommer is sanguine, arguing that rebalancing will not be enough: Telekom has to find ways to encourage greater use of the phone.

Many would argue Mr Sommer has already wrought a transformation in Telekom. He accepts, however, there is some way to go. Complaints are at a low level, but he knows about every single one. "The secret," he says with characteristic opportunism, "is to turn every complaint into a letter of commendation."

Alan Cane and Michael Lindemann

■ *An interview with Mr Wolfgang Bötsch, German post and telecoms minister, was published on April 11.*

NEWS DIGEST

Lenzing warns of weakness this year

Lenzing, the Austrian maker of viscose fibres, yesterday reported a decline in first-quarter earnings, following a 17 per cent drop in 1995 group net income from Sch304.6m to Sch253.7m ($24m). Mr Heinrich Stepnicka, chairman, said weak textile sales in Europe would mean the company was unlikely to match its 1995 results this year. He did not release figures for the first quarter.

Lenzing, one of the world's largest viscose fibre producers, was also feeling pressure from Asian competitors, and rising prices for cellulose, a raw material for the viscose production. Mr Stepnicka said he was still satisfied with last year's results.

Sales for the year advanced from Sch8.42bn to Sch8.70bn, and profits from regular operations rose slightly from Sch305.1m to Sch312.6m. The company maintained its dividend at Sch10 a share. *Eric Frey, Vienna*

Revamp hits French bank

Comptoir des Entrepreneurs, the French specialist property bank, yesterday reported losses of FFr660.4m ($109.7m) for 1995 after substantial provisions to help in its restructuring. The bank, which has been hit by the property crisis of the last few years, was refinanced last year and is now 75 per cent controlled by Assurances Générales de France, the state-owned insurance group.

The results, in line with expectations, include a FFr300m provision unveiled for the first half of the year to cover non-recurrent costs, asset sales, productivity gains and debt restructuring. *Andrew Jack, Paris*

Henkel boosts dividends

Henkel, the German chemicals and consumer goods group, announced increases in the ordinary dividend from DM9 to DM10.50, and in the preference dividend from DM11 to DM11.50. The decision was taken yesterday at a meeting of the company's supervisory board ahead of today's annual news conference.

On the Frankfurt stock market, Henkel shares were among the top performers yesterday, rising DM31.50 to close at DM574. *Wolfgang Münchau, Frankfurt*

Accor plans board changes

Mr Paul Dubrule and Mr Gérard Pelisson, co-chairmen of Accor, the French hotels and leisure group, expect to create a supervisory board and a management board by the end of this year. However, no proposals would be made at the next shareholders meeting, they said. The company also expected to sell around FFr1.7bn ($333m) in real estate assets in 1996, they said in an interview in the business newspaper La Tribune Desfosses. *AFX News, Paris*

COMPANIES AND FINANCE: THE AMERICAS

Oracle claims strong interest in NCs

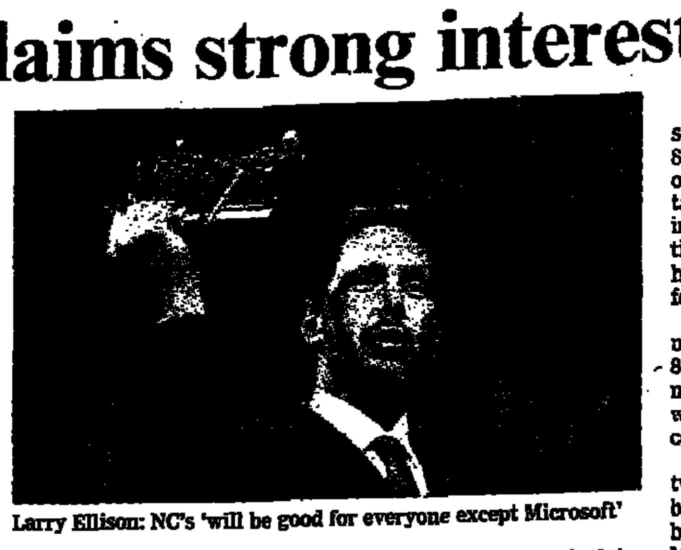
By Paul Taylor
in Amsterdam

Large companies – including Boeing, the US aerospace group – have expressed enthusiasm for the concept of cut-price Network Computers (NCs), Mr Larry Ellison, chairman and chief executive of Oracle, the world's second largest software company, claimed yesterday.

Mr Ellison told the European Oracle User Group in Amsterdam that Boeing had expressed an interest in buying 100,000 NCs. Other potential markets for the simple-to-use computing devices – seen as a challenge to Microsoft's and Intel's domination of the PC market – included schools and home PC users, he said.

Mr Ellison, who five months ago launched his "vision" of a Network Computer – a $500 open systems machine that, when linked to the Internet or a corporate network, could substitute for a much more expensive multimedia PC – said licensing agreements covering manufacture of the first NCs would be announced in mid-May.

Mr Ellison said "several manufacturers have already signed up" to build and distribute the machines. He sees NCs as a low-cost alternative rather than a replacement for standard desktop PCs, which he described as "enormously complex devices" based on 20-year-old technology.



Larry Ellison: NC's 'will be good for everyone except Microsoft'

He said Oracle, which has developed the specification for Network Computers in conjunction with UK-based Advanced Risc Machines (which is 43 per cent owned by Acorn Computer), had no plans to manufacture the machines itself, although he said Oracle would receive $10-$20 a machine if its software was used.

He repeated his view that the market for NCs was "enormous" and would overtake that for PCs "by the end of the decade". PC sales, currently about 65m a year, are expected to top 100m by 2000.

Mr Ellison yesterday showed advanced prototypes of a family of NC machines, including a portable device, dubbed NC Slate, which he said used components costing less than $300.

Unlike ordinary PCs, which require complex operating systems such as Windows 95 and mostly run programmes loaded onto a local hard disk drive, Oracle's NC design will download a tiny operating system over a network and will run programs and store data on a large remote computer or "server".

The machines Oracle demonstrated yesterday also include 8MB of random access memory, a personal smart-card containing details about the user including their network "identity", and flash memory or perhaps a small hard disk drive for local storage.

Except for the NC Slate machine, which will have an 8-inch mono display, the machines are designed to work with a standard television or a computer monitor.

Mr Ellison confirmed that two versions of the NC would be launched this year: one based on Advanced Risc Machine's chip, which should appear in September, and other models based on Intel chips, which should be available "before the year-end".

He said the biggest hurdle facing the NC concept was the danger that someone would try to develop a proprietary design.

Mr Ellison is fiercely critical of Microsoft, which he says has been able to dominate the PC industry because of its proprietary technology.

Yesterday, in a presentation peppered with barbed comments about Microsoft and Mr Bill Gates, he said the arrival of NCs "will be good for everyone except Microsoft".

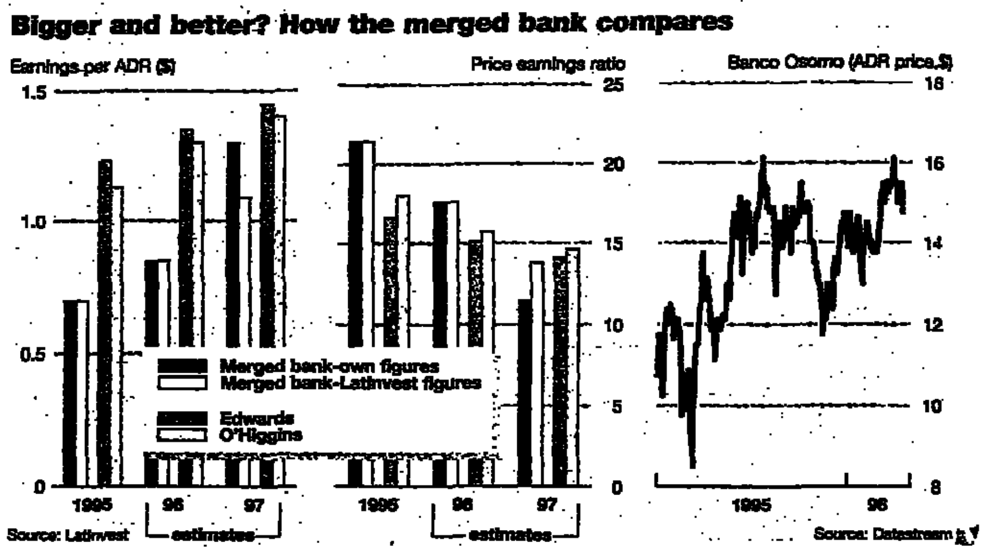
Warm Chile welcome for big banks

Banco Osorno merger with Santander is latest step in consolidation

Little more than a decade ago, virtually the entire Chilean banking system was technically insolvent. Yet last week Grupo Santander, Spain's biggest banking group, announced it was spending $481m to merge its Chilean banking operation with Banco Osorno and create Chile's biggest financial institution, with $7.9bn worth of assets.

According Mr Mauricio Larrain, vice-president of Santander's Latin American division and of the board of the Chilean operations, the deal is an indication of the country's prospects for growth.

"In this economy, which is growing by a steady 6 per cent to 6.5 per cent a year, we expect our business to expand by 10 per cent to 15 per cent annually," he says.



The deal follows the merger, announced last September, between Banco Santiago, currently the second largest commercial bank, and Banco O'Higgins, the number three. The Luksic group, controlling shareholder of both banks, is currently negotiating with the Central Bank on the size of write-down needed to clear the Banco Santiago's $1bn subordinated debt to the central bank, the legacy of a state bail-out in 1983. But once the merger is completed the resulting group will jump to the top of the league, with assets of more than $8bn and about 16 per cent of the domestic lending market.

Such moves are a change from the early 1980s, when over-enthusiastic deregulation and under-supervision, combined with the 1982 foreign debt crisis, prompted a banking crisis.

Banco de Chile, Banco Santiago and a handful of smaller banks had to be taken into state management, others were liquidated, and the state pumped in billions of dollars in emergency loans to keep the system afloat.

After the crash, however, the authorities put in place a new regulatory framework, and today the level and quality of supervision is recognised as the best in Latin America, according to Mr Hernan Somerville, president of the Chilean banking association.

"We learned the lesson in the 1980s, and now we have a good combination of public regulation and industry self-regulation, a developed system of risk classification, proper auditing, reliable reporting disclosures. This is very important for Chilean banks when they need to raise new capital, on Wall Street or elsewhere," he says.

He sees the Santander-Osorno merger as "very, very positive for the capital markets in Chile. We need big banks to deal with the financial needs of this country, as well as being able to go out into the rest of Latin America".

Indeed, the superintendency is keen to see fewer, stronger banks. Chile has 31 private banks, but the top half-dozen account for half of all loans.

Santander is the biggest foreign bank in Chile, and the sixth-biggest by loans. Its strengths are in the large corporate sector, where the bigger equity base of the new venture will increase opportunities. It has a substantial consumer credit operation and a credit card issuer, both fast-growing areas of bank business.

Banco Osorno has a solid base of medium and small business customers, which neatly complements the current Santander operations. The new entity, to be called Banco Santander, will have loans of $5.2bn, representing a 14.5 per cent market share.

Mr Larrain says they are not interested in size per se, but that "to be profitable, you need economies of scale to be efficient, and that implies market share of 10 per cent and above".

If and when the two planned mergers go ahead, Banco de Chile, which has always been used to being by far the biggest bank, will find itself in an unaccustomed third place.

Like Banco Santiago, it is handicapped by a $1bn debt to the central bank, and until it can reach agreement on a new repayment schedule or a partial write-off, it will be hard for it to find new partners or increase its capital base to match the new competitors.

Imogen Mark

Inland Steel and LTV hit by lower prices in US

By Richard Waters in New York

The slump in US steel prices during the second half of 1995 dented the profits of two of the country's biggest integrated manufacturers, LTV and Inland Steel, in the opening months of this year.

Both groups predicted, however, that the backlog of orders for their products would enable them to push through the price increases announced in recent months, pointing to a rebound in earnings for the US steel industry later in the year.

The two companies lifted their production volumes compared with the opening months of 1995. LTV said yesterday it had shipped 1 per cent more steel, or nearly 2m tons. Inland, which reported its first-quarter results on Friday, registered a 3 per cent increase in shipments, to 1.3m tons.

However, the lower selling prices led to a dip in revenues at both companies. LTV's sales dipped 8 per cent, to $993m, while revenues at the core steelmaking subsidiary of Inland Steel fell 9 per cent, to $616m.

The result was a sharp decline in profits, exacerbated by bad weather and a strike at General Motors, which is expected to be echoed by other US steelmakers due to issue results in the coming days. LTV's net income fell from $51.2m, or 46 cents a share, a year before to $13.3m, or 12 cents.

The fall in profits at Inland Steel was limited by the group's distribution arm, which registered earnings of $42.1m, down 18 per cent from the 1995 quarter. Its steelmaking unit registered a net loss of $2.1m, compared with a profit of $21.2m a year before.

Overall, Inland Steel reported after-tax profits of $17.2m, or 31 cents a share, down from $44m, or 84 cents.

Despite the falls in earnings, the two steelmakers made optimistic predictions for the coming months.

Mr David Hoag, chairman of LTV, said that steel demand in the US this year was likely to equal that of 1995, and that recent strong orders had enabled the company to announce two price increases so far this year.

LTV, which emerged from a long bankruptcy three years ago, announced its first quarterly dividend since 1984, at 12 cents a share – an indication of its stronger financial base.

At Inland Steel, Mr Robert Darnall, chairman, said demand remained strong, and that the company was pushing ahead with its price increases.

Record opening quarter for US securities houses

By Maggie Urry in New York

High levels of activity in financial markets have led to record first-quarter profits for three Wall Street securities houses.

Figures from Merrill Lynch, PaineWebber and Smith Barney all showed sharply higher earnings, continuing the trend seen last month from Goldman Sachs, Morgan Stanley and Lehman Brothers, whose first quarters all ended in February.

The results at least partially calmed analysts' fears that profits from the industry would begin to turn down in March, as US bond prices fell and share prices became more volatile.

In the quarter to March 29, Merrill earned $409m, up from $228m in the first quarter of 1995 and from $303m in the previous quarter. Earnings per share were $2.03, ahead from $1.08 and $1.49 respectively.

PaineWebber and Smith Barney, part of Travelers Group, each reported record earnings for the third consecutive quarter. PaineWebber's net earnings rose from $34.3m in the first quarter of 1995, and from $78.9m in the fourth quarter to $101m. Fully-diluted earnings per share were up from 27 cents, and 69 cents to 92 cents.

Smith Barney's after-tax earnings were the brightest spot in Travelers' results, up from $99.6m in the first quarter of 1995 to $224m.

High volumes of trading and strong investment banking revenues from underwriting and mergers and acquisition fees lifted income. In each case compensation costs rose sharply, as salaries are linked to higher revenues, but all three saw compensation fall as a percentage of net revenues.

Merrill's earnings benefited from the $831m acquisition of Smith New Court, the UK stockbroker, in August last year.

Mr Michael Marks, the SNC chairman who is now deputy chairman of Merrill Lynch International, said the international equity business now generated half the group's equity revenues compared with a quarter in 1994.

Following the purchase of SNC and of FG in Spain, he said Merrill was now considering whether to buy or build its business in other countries such as France and Germany.

Mr Marks denied suggestions there had been a "culture clash" between Merrill and SNC, and said that 90 per cent of job losses had been in the settlements and back office area. He said the group had lost fewer front office staff in the first quarter than in the same period of 1995. The merger had enabled the group to win business that neither Merrill nor SNC would have secured independently, he said.

Both Merrill and PaineWebber beat analysts' earnings forecasts by a wide margin. The median estimate for Merrill had been $1.58 and for PaineWebber, 74 cents.

In early trading Merrill's share price rose $[illegible] to $58[illegible] and PaineWebber was up by $¼ to $20¼. Travelers' shares also rose, by $[illegible] to $61[illegible], largely because of the increased contribution from Smith Barney.

Strategic planning keeps PDVSA on the right track

The Venezuelan state oil company plans to double output in the next decade, reports Ray Colitt

When PDVSA, Venezuela's state oil company, announced record profits of $2.8bn for 1995, some said it was largely due to external factors such as higher oil prices.

But Mr Ronald Pantin, head of PDVSA's strategic planning, says the fact that profits have grown by an average of 34 per cent over the past three years "tells us that we're on the right track".

Instrumental in ensuring a consistent volume of sales, 95 per cent of which are made outside Venezuela, has been PDVSA's direct presence in international markets through fully-owned subsidiaries such as CITGO in the US, or through associates such as Veba Oel in Germany, and Nesté in Sweden.

More than 40 per cent of the 2.018m barrels a day of crude oil processed by PDVSA on average, is now refined in Europe and the US.

According to the Petroleum Intelligence Weekly, PDVSA ranks as the second-largest oil company in the world, based on a composite index that includes oil and gas reserves as well as sales. But the company, which accounts for 50 per cent of government revenues and 25 per cent of the country's GDP, aims to double output in less than a decade from 2.6m b/d in 1994. Petrochemicals production is also to be doubled from it current level of 5m tons over the next decade.

PDVSA executives insist there is no danger of over-extending. "We're talking about growth to increase the net present value of our company, not growth for the sake of growing," says Mr Leo Figarella, assistant planning co-ordinator. PDVSA will, he says, be "maximising its traditional operations".

Already, Venezuela is pumping some 300,000-400,000 b/d of black gold in excess of its OPEC production quota of 2.5m. According to figures recently released, its production capacity is currently 3.16m b/d.

An increasing percentage of future oil production will be coming from the private sector. In January PDVSA launched the largest bidding round on oil exploration and production rights since its nationalisation in 1974.

According to Mr Steve McAllister, US director of petroleum services with Price Waterhouse in Caracas, these associations "bring secure access to world markets, and provide capital and technology". Of PDVSA's $55bn investment plan over the next 10 years, more than 40 per cent is to come from private investors.

However, efforts are under way to bring down the company's existing foreign debt. At the end of 1995 total foreign debt equalled $4.24bn, down from $4.35bn in 1994. This year Mr Manuel Urdaneta, finance co-ordinator, expects to reduce this figure by another $360m.

Mr Urdaneta shrugs off the recent downgrading of PDVSA's credit rating by Standard & Poor's, the New York-based rating agency, from B plus to B. "It all has to do with country risk. If we were located in Switzerland, we would get a AA risk rating and they know it," he says.

Mr Urdaneta points out that last year for the first time since 1975 PDVSA paid dividends to its only shareholder – the state. PDVSA's fiscal contributions, according to estimates from the planning ministry, are to rise from 7 per cent to 11 per cent of GDP.

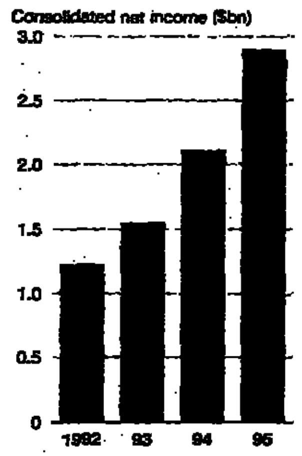
Yet he rejects fears that PDVSA may turn into a cash cow to finance the government's budget deficits. "The system of paying dividends, from the company's point of view, is much more sound than it used to be, when [the government] imposed other levies on our income."

Now, says Mr Urdaneta, fiscal contributions come out of the company's profits. "We pay dividends because we have the spare cash."

Although the president of the Republic continues to appoint top PDVSA officials and maintains direct controls over the company's fundamental operations, including domestic pricing, investment and tax issues, PDVSA is generally seen as being managed by highly competent oil industry experts rather than politicians.

PDVSA

Consolidated net income ($bn)



Source: PDVSA

"In their relations with foreign companies, they enjoy a reputation as being fair but astute and, above all, relatively free of corruption," says Mr McAllister.

If the recent creation of Deltaven, a subsidiary which is to take charge of domestic sales, is any indication, market-oriented reform may soon be under way on domestic sales. "Deltaven will allow PDVSA to rationalise its costs in the domestic market," says Mr Luis Giusti, president of PDVSA.

The much-heralded elimination of gasoline subsidies, which have kept prices at an average $0.03 per litre and cost some $400m, paves the way for substantial reforms of the legal framework in the domestic market, Mr Giusti says.

Unlike many other public sector companies, comparative efficiency ratings at PDVSA rank high on the list of criteria in strategic planning and fare quite well in comparison with other majors in the oil league.

The net profit to income ratio increased from 9.1 per cent in 1994 to 11.7 per cent in 1995, while PDVSA's profit to equity ratio was 5.6 per cent in 1994. No comparative figure was available for 1995. Both measures are above the industry par.

Apple executive to head AT&T Labs

By Alan Cane

The problems of Apple, the US personal computer manufacturer, deepened yesterday with the departure of Mr David Nagel, senior vice-president and its head of worldwide research and development since last year.

Mr Nagel, 50, has been appointed the first president of AT&T Laboratories, the research and development arm of the largest US telecoms operator.

Before the division last year of AT&T into three separate companies, the unit was part of Bell Labs, the world's most famous research centre. The new unit was formed around a core of Bell Labs scientists and engineers who worked on communications services.

As president of AT&T Labs, Mr Nagel will be responsible for AT&T's worldwide research, applications development and technical collaboration with other companies.

AT&T said yesterday it had been keen to employ Mr Nagel because of his research background in the interface between humans and computer systems. Educated at the University of California in Los Angeles, he studied mathematics and perceptual psychology.

Before working for Apple, where he was a member of the group's six-member executive management team, he had been involved in human factors research at NASA's Ames Research Center.

The struggling Apple, meanwhile, may have difficulty attracting an engineer of Mr Nagel's calibre as a replacement. At the PC manufacturer he was responsible for Macintosh hardware and software, imaging, peripherals and other products. His group also included marketing activities, the development of personal digital assistants and technical licensing activities.

Mr Gilbert Amelio, recently appointed chief executive, is in the course of developing a new Apple strategy which would emphasise its claimed toughness and reliability compared with mass market machines based on Intel chips and the Microsoft Windows operating system.

Smith Barney gives boost to Travelers

By Richard Waters

The jump in earnings at Smith Barney helped boost the operating profits of its parent, Travelers, by 41 per cent during the first quarter of this year.

The broad-based financial services group also reported continued growth in its two life assurance businesses, with profits at both Primerica Financial Services and Travelers Life and Annuity up 20 per cent. Together, the two generated operating earnings of $148m.

The groups' consumer finance business registered unchanged earnings of $56m, while its profits from property/casualty businesses rose 2 per cent to $95m.

Overall, Travelers reported net income of $520m, or $1.55 a share, on revenues of $4.5bn. A year before, the company earned $340m, or $1.01 a share, on revenues of $4.3bn.

The latest results were boosted by investment gains of $41m, compared with an investment loss of $18m in the 1995 quarter.

Recovery in cable TV aids Time Warner

By Tony Jackson in New York

Time Warner, the US media group, produced a 32 per cent rise in cash flow for the first quarter, to $899m, with a recovery in cable TV partly offset by weakness in the recorded music business.

Cash flow from cable TV, in which Time Warner is the second-biggest US operator, rose 88 per cent to $480m, of which $112m was attributable to acquisitions.

On a like-for-like basis, the increase was 13 per cent. This reflected growth in subscribers of 6 per cent and higher cable rates as a result of the relaxation of government-imposed price caps on the industry.

Cash flow from the music division fell 16 per cent to $146m, on revenues down 1 per cent at $983m. The company blamed high returns from US retailers as a result of excessive expansion in music retailing and weakness in direct marketing.

However, it said it had maintained its 21 per cent share of the US market, while the fall in US revenues had been partly offset by modest increases abroad. It said it expected the music business to improve over the course of the year.

The Warner Bros film division increased cash flow by 11 per cent to $136m. The publishing business – consisting chiefly of the Time Inc stable of magazines – contributed $80m, a rise of 4 per cent.

The company said strong advertising revenue from magazines had been partly offset by higher paper costs, and that it expected double-digit growth from the division for the year.

Home Box Office, the pay-TV business, raised cash flow by 14 per cent to $81m as a result of growth in subscribers. The WB Network – the US national TV network launched in January last year – lost $24m compared with $21m a year ago, in the course of expanding its programming.

Total group revenues rose 17 per cent to $4.6bn, while the net loss rose from $50m to $153m, or 32 cents a share before extraordinary charges. The company has not made an annual profit since Time and Warner merged in 1990, chiefly because of interest and amortisation charges associated with the merger.

Time Warner also said it would buy back up to 15m shares to offset the expected issue of stock to employees under stock option programmes. This would would cost $590m at yesterday's midday price of $39⅜, up $⅝.

The company said it would expand its cable operations through a joint venture with Fanch Cablevision, a private Indiana-based operator. This would add 75,000 customers next year to existing networks. Time Warner will own 49.5 per cent of the venture, the balance being held by Fanch and Blackstone, the New York investment group.

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Sun Microsystems widens scope with range of high-end servers

By Louise Kehoe

Sun Microsystems aims to expand its reach into the market for "enterprise servers" – currently dominated by Hewlett-Packard and International Business Machines – with a new range of powerful computers to be launched today.

Best known for its leadership in the field of workstations, high performance desktop computers used by researchers, engineers and financial analysts, Sun is also a leading manufacturer of computer "servers" that are linked to the Internet and corporate networks.

The new Ultra Enterprise servers are designed for use in corporate data centres, where they might displace traditional mainframe computers. They will also compete directly with Hewlett-Packard's high-end servers. Sun will aim the new computers at banks, financial services companies, the telecommunications industry and other industries – markets currently dominated by mainframe computers.

"Sun is going prime time – entering the mainstream of corporate computing," said Mr Ed Zander, president of Sun's computer products division. Mr Scott McNealy, chief executive, said the new computers would force companies using mainframe computers to consider new options for future purchases.

The price advantages of microprocessor-based servers have long been one of the primary attractions of networked computers, but traditional mainframes have maintained advantages in terms of reliability, serviceability and their data input-output rates.

Sun claims to have resolved all these issues. Features of the new computers include input-output rates rivalling that of IBM's top performance mainframe computers, software that can predict potential system problems, and the ability to swap system components such as processor boards and disk drives while the computer is running.

The Ultra servers, which range in price from about $40,000 to about $1m, are based on common components which allow users to upgrade systems, or swap components between different systems.

The new servers mean Sun now has a range of compatible computers ranging from the desktop to the data centre. In contrast, IBM, HP and most of its other competitors use various architectures for different classes of computers.

Scott McNealy: Ultra servers will make mainframe users consider new options

Takeover battle in prospect for Kansas utility

By Richard Tomkins in New York

An unusual takeover battle was looming in the US electricity industry yesterday as Western Resources, a Kansas-based utility, attempted to break up a friendly merger between UtilCorp and Kansas City Power & Light, two other utilities operating in the region.

Western Resources offered to buy Kansas City Power & Light for $28 a share in stock, valuing the company at $1.7bn. Previously, it was to have merged with UtilCorp to form a new company that the partners said would have a stock market value of about $3bn.

Western Resources said its offer provided a 17 per cent premium over Kansas City Power & Light's current stock price. Its move appeared to have been timed to sway shareholders ahead of next month's vote on the UtilCorp merger.

However, Western Resources has not yet launched a formal hostile bid. Instead, it drew attention to its proposals by publishing the contents of a letter to Kansas City Power & Light's chairman – a technique known on Wall Street as a "bear hug".

In the last year the US electricity industry has been characterised by an outburst of takeover activity amid moves towards a deregulation of the US electricity market.

Electricity companies, faced with the threat of competition, have been trying to get their costs down by merging with neighbouring companies. This has enabled them to reduce overheads and cut payrolls by sharing power generation plants, administrative resources and other facilities.

However, hostile bids have so far hardly figured in this bout of takeovers, because mergers have to be approved by several regulatory bodies. Electricity companies say that even friendly mergers take a long time to clear, and a hostile move could become very difficult to complete.

Western Resources is not yet saying whether it will proceed with a formal bid if its unsolicited approach is rebuffed. Kansas City Power & Light said yesterday that its directors were reviewing Western Resources' proposal and would respond as quickly as possible.

● Enserch, a US natural gas company, and Texas Utilities, an electricity utility, said they were merging their distribution businesses under Texas Utilities' ownership. Texas Utilities will take over Enserch for $1.7bn, then spin off Enserch's gas exploration and production business to shareholders.

Enserch said the deregulation of the natural gas industry and the convergence of energy markets made the combination of the two distribution businesses a natural fit.

New series of computers launched by Unisys

By Louise Kehoe in San Francisco

Unisys, the US computer company which is struggling to return to profitability, yesterday launched a new range of computers aimed at enabling users of its computers to make a gradual transition to industry-standard "open systems" technology.

The new ClearPath Unisys servers will run both Unisys mainframe software and Unix or Microsoft's Windows NT operating systems on a single computer, using an approach called heterogeneous multi-processing.

The computers will incorporate a highly integrated version of the Unisys mainframe processor as well as an Intel microprocessor system. Data and software can be swapped between the two processors automatically.

This will allow users of Unisys mainframes to run both their "legacy" applications and new software simultaneously, thus protecting their investments in existing software while enabling new applications based on today's standard operating systems to be added.

The new products "allow clients to take full advantage of the attributes of traditional enterprise computing, while enjoying the wide range of applications now offered by the industry," said Mr Leo Daiuto, general manager of Unisys Computer Systems group.

"ClearPath definitely makes sense for IT users trying to keep up with the latest technology," said Mr David Floyer, research director at IDC, a market research group. Unisys' new offerings will minimise the disruption of a transition from mainframe computers to networked client/server and intranet computing, said Mr Bob Sakakeeny, of the Aberdeen Group, the market research group.

Unisys said that with the launch of the ClearPath range it will significantly change its sales strategy, placing an increased emphasis on indirect sales channels.

NEWS DIGEST

NationsBank ahead on efficiency gains

NationsBank boosted productivity levels in the first three months of the year, helping it to report stronger-than-expected earnings for the period. The North Carolina-based bank's ratio of non-interest costs to revenues dropped to 56.4 per cent as it used acquisitions to add to its revenues while paring down costs.

Mr Michael Mayo, an analyst at Lehman Brothers in New York, said the latest figures were the first evidence that NationsBank, which has grown rapidly through acquisition, was switching its attention from integrating its various operations to improving sales through its existing network. NationsBank's revenues in the first quarter were nearly $2.5bn, about a fifth higher than a year before, with the bulk of the growth coming from acquisitions.

Because of efficiency improvements the bank's operating income jumped by a third, to $590m. After a $77m after-tax merger charge, net income rose from $443m, or $1.56 a fully-diluted share, the year before to $513m, or $1.68 a fully diluted share. *Richard Waters, New York*

Falconbridge slips in first period

Falconbridge, which dropped out of the bidding for Labrador's Voisey's Bay nickel deposit 10 days ago, plans to bring forward the start of production from its C$400m Raglan project in northern Quebec from late 1997 to this summer, said Mr Frank Pickard, president.

Falconbridge's first-quarter net profit fell from C$96.5m, or 55 cents a share, a year ago to C$72.4m (US$53.4m), or 41 cents a share, on revenues down from C$615m to C$573m. Average realised price for nickel slipped 5 per cent and for copper 13 per cent. But Mr Pickard forecast a nickel price rebound later this year because of declining Russian output and low London Metals Exchange inventories. *Robert Gibbens, Montreal*

Washington warns on rail merger

The US Justice Department has said Union Pacific's proposed merger with Southern Pacific Rail could violate anti-trust rules by reducing competition in the railway market and raising prices for shippers.

"The merger raises significant competitive concerns in a large number of markets throughout the west and may result in price increases to shippers and consumers of roughly $800m," the department said. The department's comments are only advisory; the recently formed FederalSurface Transportation Board will make the final decision. *AFX News, Washington*

Canadian Pacific plans track sale

Canadian Pacific wants to sell nearly 1,000 miles of profitable track in the US Midwest, including a line from Chicago to Kansas City. The company said the lines would fit better with other regional carriers. The package is part of nearly 4,000 miles of track that Canadian Pacific hopes to sell in the next five years as part of its rationalisation plan. *Robert Gibbens*

Placer Dome misses forecasts

Placer Dome, the Canadian gold producer, said yesterday that first-quarter output was 458,000 oz, down from forecasts of 495,000 oz, because of shortfalls at several of its mines. Average cash cost of production was US$245 per oz, compared with a forecast US$222. The production shortfall came at Porgera, Papua New Guinea, and Detour Lake and Sigma in eastern Canada. However, Placer still expects to meet its objective of 2m oz of gold for 1996. *Robert Gibbens*

Hardy Oil rises on £118m US asset sale

By Patrick Harverson

Hardy Oil & Gas, the independent exploration and production company, yesterday announced the sale of its US interests for £118m ($179m) as part of a strategic refocusing on its development activities.

The proceeds will be used to acquire new assets, fund the development of Hardy's existing interests and reduce borrowings to zero. Gearing had stood at 50 per cent.

However, the company will write off £7.7m to cover costs and taxes relating to the disposal.

Mr John Walmsley, chief executive, said negotiations were under way with several parties and he hoped an acquisition would be announced within two to three months.

He would not specify where Hardy would make the purchase but it focuses on the North Sea, Australia and Pakistan, and is keen to move into a fourth area. However, any assets the company acquired would not match the size of US interests it is selling.

Hardy has sold its Hardy USA operation, with its proved reserves of 21.7m barrels of oil equivalent and another 6.8m boe of probable reserves, to Enron Capital and Trade Resources, a subsidiary of the US energy group Enron. Another 2.6m boe of proved reserves were sold to the same buyer via a third party.

Hardy is retaining some exposure to the Gulf of Mexico operations through a three-year option to take a 25 per cent stake in deep water oil and gas opportunities.

The disposals follow Hardy's decision to shift its attention from more mature assets to existing and new opportunities. The shift is part of a restructuring launched by Mr Walmsley on his appointment as chief executive last year.

Since his arrival he has sold Canadian assets and interests in two North Sea fields, and planned a withdrawal from non-core areas in the Netherlands, north Africa and Namibia. At the same time, Hardy has been developing the Elgin/Franklin and Banff fields in the North Sea, the Miano field in Pakistan and appraising the newly-discovered Bayu field in the Timor Sea.

Hardy, which will report its annual results in June, said its oil and gas production in the second half was estimated to have risen 68 per cent to 21,300 boe per day. The rise was primarily due to the start of production from the Birch field in the North Sea and higher gas production in the UK and US.

The shares rose 12p to 252p. One analyst said: "Most analysts would have carried a valuation of £60m-£80m on the US assets, so the £118m they realised is a good price. And it's consistent with their strategy. All in all it's a sensible deal."

B&W investors to get modest payout

By Alison Smith, Investment Correspondent

More than a quarter of Bristol & West's 1.1m qualifying savers and borrowers could receive only a basic distribution of £250 each in shares when the building society is bought by Bank of Ireland for £600m next year.

The deal, announced yesterday, is considerably less generous than that offered last summer by Abbey National, the home loans and banking group, for National & Provincial Building Society.

B&W investors of more than two years' standing will also receive a lower amount than their N&P equivalents. They are in line for a cash distribution worth at least £500 together with a variable sum related to the balances in their accounts.

The less generous terms reflect the fact that on a comparable basis, Bank of Ireland is paying considerably less for B&W than Abbey is paying for N&P.

Although B&W has reported sharply improved results over the past couple of years, these followed difficulties in the early 1990s when its former chief executive, Mr Tony Fitzsimons, led it into what industry observers say was over-expansionist lending, and high spending.

The £600m Bank of Ireland is paying is 1.67 times the society's net asset value, and 11.8 times 1995 earnings. The comparable figures for N&P were 1.84 times and 15.8 times.

Mr Burke said the benefits for B&W would come in lower-cost wholesale funding and a solid foundation for future growth.

The society's management and branch structure – it has 159 branches focused in the south and west of England – would be largely unchanged. The organisation would retain its own brand, and no job losses were expected.

Mr Pat Molloy, Bank of Ireland chief executive, said that putting B&W with the bank's UK mortgage subsidiary, which has £2.8bn in mortgage assets, would give it access to a retail deposit base, offered scope for some cost savings, and would transform its scale in the UK mortgage market. B&W has total assets of more than £8.6bn.

Standard & Poor's, the credit rating agency, put its Bank of Ireland ratings on creditwatch. Despite this, Bank of Ireland shares closed 19p higher at 458p.

Bank of Ireland will finance the cash element of the price – estimated at about £520m – from its existing resources. Holders of B&W's 182,000 mortgages, and investors of less than two years' standing – who seem to number about 140,000 – are banned in law from receiving cash as a result of the deal, and will receive preference shares in B&W plc.

If approved, the deal would take effect in summer next year.

Norwich to deter speculators

By Alison Smith, Investment Correspondent

Norwich Union, the mutual composite insurance group, is to seek powers next month to deter speculators in search of a bonus from its impending conversion into a public limited company.

The move will come in a special resolution at the annual meeting on May 10. If approved, it would enable Norwich to withdraw membership rights from the life assurance policies it sells.

This would put the insurer in a similar position to building societies, which have come under pressure from speculative flows of savings when they have been rumoured to be about to be bought or become public limited companies in their own right.

They have been able to switch from offering investment accounts which give membership rights to offering only deposit accounts, which do not. This allows them still to operate without continuing to create new members who would expect a bonus on demutualisation.

Norwich announced last October that it was considering flotation, but does not expect to have reached firm conclusions on how this might be done until the autumn.

Mr Allan Bridgewater, chief executive, said the resolution was "purely a piece of prudent contingency planning", and that the board had no immediate plans to close membership.

Lonrho/Gencor link likely to be blocked

By Neil Buckley in Brussels

The European Commission is preparing to block the controversial proposed merger of the platinum operations of Lonrho and South Africa's Gencor after a four-month investigation.

The case may go before the full European Commission meeting next Wednesday for a final decision.

The commission has a deadline of May 7 to announce its ruling. But it is understood the two committees that examine merger proposals, including the commission's Merger Task Force, have concluded the deal would be anti-competitive.

The committees concluded the merger would create a dominant oligopoly in the EU market for platinum group metals, which are important in the manufacture of jewellery, catalytic converters, and oil drilling equipment.

Although Lonrho and Gencor have proposed changes to the deal, the committees could not see any way to change the structure of the merger.

While last-minute attempts to find an acceptable formula are thought to be continuing, their chances of success are rated as low.

"From the beginning there were serious doubts about this deal," one official said.

The proposed merger involved the two companies combining their platinum activities in the South African-based company Impala Platinum Holdings, or Implats, plus an exchange of shares and new issue leaving each side with about 32 per cent of the new company. The remaining shares would be held by the public.

The company would be valued at about £1.8bn. Although the platinum interests are in South Africa, both Lonrho and Gencor have substantial operations in the EU, bringing the deal under the European Commission's jurisdiction.

Pace founders could make £100m on float

The three founders of Pace Micro Technology, one of the largest manufacturers of satellite receivers, seem likely to make about £100m ($152m) between them when the company joins the main market, writes Raymond Snoddy.

About 50 per cent of the Yorkshire-based company is to float. The hoped-for value of the total is more than £200m.

With the help of a technology joint venture with NTL, Pace has been at the forefront of development of digital satellite television receivers.

Pace believes it is now the largest volume manufacturer of satellite receivers in Europe and sells more than 50 products to more than 60 countries.

Textile makers cotton on to cheaper labour

Motoko Rich on the reasons for shifting production overseas

Marks and Spencer, the high street retailer, prides itself on the British pedigree of its clothing stock.

The group, which sources 80 per cent of its flagship St Michael brand from British manufacturers, says it will always buy in the UK if possible. It will only go abroad if it cannot get the quality and value in the UK, or if something is not produced in Britain.

But the company, known for its 'outstanding value' campaign, may soon have to accept that the goods it seeks are not always available in Britain.

Several of its suppliers have recently announced plans to increase the proportion of garments made outside the UK.

Last month, Coats Viyella, the UK's largest textiles and clothing group, announced a £50m restructuring programme, accelerating the move to offshore production. It is believed 40 per cent of its garments will be made abroad by 2000. Dewhirst, another UK M&S supplier, has said it will raise the proportion of garments made overseas from 27 per cent last year to 50 per cent by the turn of the century.

The simple reason for this shift is cost. Labour – which can account for up to 25 per cent of the cost of a garment – is significantly cheaper in the developing world, where it can be as little as 4 per cent of the UK cost.

Products that are difficult to make profitably in the UK are those with a very high labour content, especially if they involve intricate handwork, said Mr Nicholas Hamilton, finance director at Claremont, an M&S supplier. "The differential in labour rates means that you can make it profitably outside the UK."

The minds of textile executives have been focused by a dismal year for garment manufacturers in 1995. Weak consumer spending, raw material price rises and a hot summer all conspired to depress profits and prompt job losses.

However, the decision to move offshore is not related to one bad year. The impact of lower wage competition will intensify in the run-up to 2005, the date for the phasing out of the Multi-Fibre Agreement – the multilateral trading arrangement which imposes textiles production quotas on developing countries to protect higher-cost Western producers.

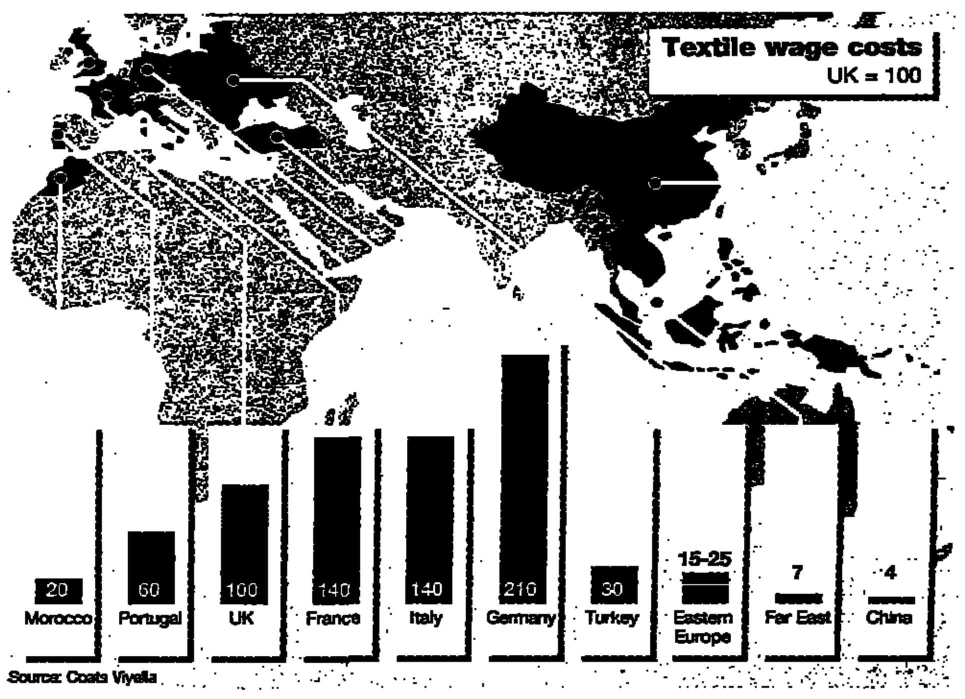
"It will not be possible for people to operate just in the UK without recognising that there will be severe cost pressures," said Mr Neville Bain, chief executive of Coats.

Another possible motivation is the prospect of a Labour government and a potential minimum wage.

With pressure increasing on the UK garment sector, why keep a manufacturing base in the UK? Firstly, proximity to the customer is important. "Cost is not the only thing," says Mr Bain. "The trade-off is the ability to get quick response." Also, many garment-makers source fabric from Britain, making production in Asia uneconomical.

While pressures on the sector are increasing, some argue that the industry is underperforming from a lack of investment as much as from outside competition. The US industry, which has the highest wage rates in the world and lower retail prices for clothing, has lifted exports of finished garments to Europe by more than 80 per cent in the last 5 years.

To justify the UK base, manufacturers will be making their domestic factories more efficient. "We are looking to increase what the UK workforce can produce by increasing our investment in equipment and technology," said Mr Hamilton.



Source: Coats Viyella

LEX COMMENT

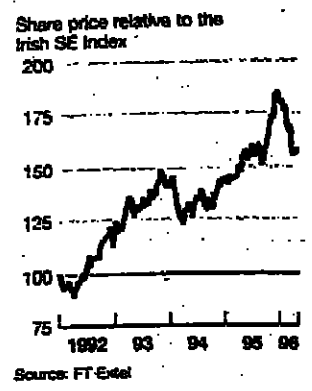
Bank of Ireland

The sight of a commercial bank venturing into an overseas retail market is usually a harbinger of losses. But the advance in Bank of Ireland's share price yesterday, following its acquisition of Bristol & West Building Society, is not a sign that investors are being naive; rather they have realised that B&W's market is not for Bank of Ireland, very foreign. The UK and Ireland are similar markets and the bank already has a stand-alone UK mortgage business. Still, the industrial logic is not compelling. Given its dominance of the Irish retail sector and its surplus of capital, the desire for overseas expansion is understandable. The worry is that the UK market is both competitive and static. However, the bank has proved that it can cope with a difficult UK mortgage market. And its UK mortgage business, until now dependent on wholesale funding, will cut funding costs through access to a UK deposit base. There will also be some savings from the consolidation of the mortgage businesses. But it would be a shame if the bank's insistence that B&W will operate as a separate unit were to prevent it from exploiting opportunities to sell other products through the UK chain.

But the main reason to be sanguine is that the bank does not appear to be overpaying. The price is less than 1.7 times earnings, comfortably below the multiples paid for the top building societies. Bristol & West could arguably have achieved a higher price tag by selling to a cost-cutter, but Bank of Ireland has got a deal which enhances earnings considerably.

Bank of Ireland

Share price relative to the Irish SE Index



Source: FT Extel

Passengers rise 7% at BAA

By Michael Skapinker, Aerospace Correspondent

BAA, the airports group, saw passenger numbers increase 6.7 per cent to 93.6m in the year to March 31. Cargo transported through its seven airports increased 4.9 per cent to 1.4m tonnes.

Passenger traffic at London Heathrow, BAA's busiest airport, grew 5.3 per cent to 54.8m. The group has said that Heathrow will have difficulty handling future passenger growth with its four terminals. A fifth terminal, which could take capacity to 80m, is the subject of a public inquiry.

Traffic at Gatwick, its second biggest airport, rose 8.4 per cent to 23m. The biggest percentage increase was at Stansted, where passenger numbers rose 23 per cent to 4.1m.

Shell chief receives 10% total increase

By David Lascelles, Resources Editor

Mr John Jennings, the chairman of Shell Transport and Trading, received a 10 per cent boost to his salary package last year, taking it to £620,919 ($943,797).

This included a 30 per cent increase in his performance-related pay to £95,600 and a 5 per cent rise in his basic salary to £470,776.

Mr Mark Moody-Stuart, the other British managing director of the Anglo-Dutch group, saw his overall package fall slightly to £480,376. This was because of a decline in his basic salary and the absence of a pension contribution as the Shell pension fund is in surplus.

The decline was partially offset by a £20,000 increase in the performance-related element to £77,100.

No details were given of the remuneration of individual Dutch directors. However, the Royal Dutch arm of the company said that Fl 5.6m (£2.2m) had gone to pay present and former managing directors. This was down from last year's Fl 6.5m, also because of the suspension of pension payments.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AG Holdings	6 mths to Jan 31	14.3	(13.5)	1.57	(1.18)	5.3	(4.2)	2.25	July 1	2.25	-	5.75
Amey	Yr to Dec 31	244	(220.1)	5.32	(5.12)	12.7	(12.9)	4.7	May 31	3	7.1	4.5
Arcadian Intl	Yr to Dec 31	20.5	(12.6)	1.69	(0.417)	1.1†	(0.2)	0.9	-	0.8	1	0.8
Arlen	Yr to Dec 29	28.1	(29.2)	4	(3.16)	3.9	(2.6)	0.5	May 24	0.4	0.7	0.4
Automated Security	3 mths to Feb 29 ★	37.3	(38.2)	1.321♠	(0.824♠)	1.9L	(nil)	-	-	-	-	nil
Britannia	Yr to Dec 31	49	(46.4)	0.713♥	(1.66♠)	3.1	(5.3)	1.1	June 1	1.1	1.6	1.6
Dinkie Heel	Yr to Dec 31	7.47	(7.54)	0.594	(0.585)	3.59	(3.47)	1	May 17	0.9	1.5	1.4
Johnson Fry	Yr to Dec 31	30.9	(29.8)	2.88	(4.18)	20.7	(17.9)	2	May 31	2	4	2
Olives Property	Yr to Dec 31	2.66□	(1.46□)	0.746	(0.623)	1.27†	(1.16)	0.4	July 1	0.3	0.4	0.3
Wardle Storeys	6 mths to Feb 29	53.8	(44.2)	4.82	(3.44)	12.5	(9.1)	6	July 1	5	-	17.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. □Rental income. †On increased capital.

MARKET REPORT

Talk of Chinese buying lifts US wheat futures

Rumours that China was seeking or had bought US WHEAT sent nearby futures on the Chicago Board of Trade to contract highs yesterday. But much of the rise was wiped out later. In late trading the May contract was quoted at $5.85 a bushel, up 2.5 cents but 13 cents below the day's peak. Positions further forward were showing modest losses.

There was talk on Friday that China was seeking new crop wheat and a trader said yesterday: "There are still the China rumours".

At the Kansas City Board of Trade, meanwhile, a host of bullish factors were cited as hard red winter wheat futures hit all-time highs. They including fears that spring wheat plantings would be delayed further because of weekend snows, traders said.

CBoT CORN futures were also up sharply early on, with a contract high set for the May position. Demand was widespread, traders said.

At the New York COTTON Exchange futures prices were slightly firmer on speculative buying but traders thought prices were unlikely to continue their two-week rally.

Several noted a widening of the May/July spread and a heavily-weighted speculative long position. "Unless we get some extremely bullish news, I don't see any way we can do anything but go down," said Ms Sharon Johnson, an analyst with Frank Schneider and Company.

Reports of unrelenting rain in Argentina, and heavy rains throughout the south-east US, which had delayed the harvest in some states, were said to be lending support to prices.

London Metal Exchange COPPER prices were sold off during after hours "kerb" trading, although the market still ended steady.

Compiled from Reuters

Australian High Court to rule on native title claim

By Nikki Tait in Sydney

Australia's High Court, the country's highest judicial authority, is to consider the native title claim by the Wik people covering large tracts of land in far north Queensland – including part of the Weipa bauxite leases held by RTZ-CRA's Comalco aluminium subsidiary.

The move is significant because it comes at a time when there concern over how the landmark Native Title Act, passed in late-1993, should operate in practice. One big area of uncertainty – and the cause of much angst in Australia's mining industry – is the extent to which past grants of pastoral leases make native title claims impossible.

When the act was passed, it was assumed that such leases would, in most cases, extinguish any possibility of native title. However, legal doubt has been since been raised, in particular where the grant of leases was accompanied by some form of "reservation" or condition in favour of the local Aboriginal people.

There are now some hopes that the pastoral lease issue could be clarified when the High Court considers the wide-ranging Wik claim.

The Wik people claimed title for around 35,000 square kilometres around Weipa in mid-1993. In January this year, the Federal Court in Brisbane found heavily in favour of the respondents, who included Comalco, the federal and state governments and 16 other parties – ruling that valid pastoral leases had, indeed, extinguished native title.

In particular, the judge decided that there was no foundation for arguing that the Queensland government did not have the constitutional power to make laws about pastoral leases that extinguished native title.

But the Wik people signalled that the case would be appealed in the full Federal Court. Then, in an effort to accelerate the process and resolve the uncertainty, the Queensland state government sought to take the matter directly to the High Court.

The High Court hearing will begin on June 11.

● RTZ-CRA said yesterday that it was hopeful that discussions with aboriginal leaders over its proposed A$1bn Century Zinc mine in northern Queensland might restart later this week, despite an abortive weekend "summit" arranged by the state government.

The same uncertainty – over whether pastoral leases extinguish native title – led to the Waanyi people's claim over land including the proposed mine site being registered with the new Native Title Tribunal. This, in turn, has triggered a potentially lengthy negotiation period. However, RTZ-CRA is under pressure to have the mine up and running by 1998, so that it can supply Pasminco's Budel smelter in time for the Dutch facility to meet environmental requirements.

Fina treads carefully in Angola's oilfields

Michela Wrong on the rehabilitation of installations devastated by Unita rebels

As the delegation strolls towards the beach the former South African soldier observes calmly: "We are now in the middle of the minefield. . . But you needn't worry, most are anti-tank mines. You're not heavy enough to set them off".

Visitors to Soyo tread warily these days. Angola's biggest onshore oilfield, some 320km north of Luanda, was turned into a giant booby trap by the occupying Unita guerrilla movement before it was forced to surrender control to government troops in November 1994.

Despite a six-month operation by Fina, the Angolan subsidiary of Belgian refining group Petrofina, to clear the mines and return onshore production to pre-occupation levels, there remain plenty of ways to get yourself maimed in Soyo. Hundreds of posts, painted white on one side and red on the other, tell locals which areas are safe and which remain dangerous.

But the area still waiting to be vetted dwarfs the zone swept of unexploded ordnance. Since January only 11 of Fina's 86 wells have been back in operation, giving 5,000 barrels a day, a fraction of the 25,000 b/d Fina was producing when Unita seized the installations in 1993. Mr Carlos Alves, Fina's managing director, says the aim is to increase production to 12,000 barrels by the end of 1997 and to push it back to its original level a year later.

Doing that will mean clearing the wells on the red side of the posts, a job being carried out by Saracen, a de-mining company employing some of the South African army veterans who once worked for the mercenary outfit, Executive Outcomes, that until recently worked alongside the Angolan army. Saracen expects that to be the hardest part of the job. "We've been told by the locals and the army that Unita laid a lot of mines in that area," says a de-miner. "So we know the second and third phases will be very difficult."

No-one could accuse Unita of slacking during their two occupations of Soyo. Despite early claims by some leaders that they would run the oil installations for their own financial benefit, the men on the ground appear to have been bent on destruction. "First they scared the local employees into running away, then they took 17 of our expatriates hostage, then they destroyed the installations," says Mr Alves. "If they wanted any revenues out of Soyo their approach was completely wrong."

The damage wreaked was breathtaking in its thoroughness. At the devastated Kifuquena terminal, two storage tanks that each held 400,000 barrels of crude have imploded in a fire triggered by well-placed charges. Resembling a pair of collapsed marshmallows, they have been nicknamed "the cheese souffles" by Fina employees.

"Fina city", the village where Fina workers lived, has been looted, at the Pangala tank farm, offices, generators and warehouses lie sabotaged. But perhaps the worst was reserved for Kwanda, the logistical base for the international oil companies operating the offshore rigs. Africa's biggest oil service base, where some 40 companies once employed 2,000-3,000 workers, Kwanda is now a ghost town. The warehouses, offices, jetties, bungalows and squash courts patronised by Schlumberger, Elf, Texaco and Agip lie charred and roofless, floors deep in marsh water or scattered with debris.

"For two years I stayed in my village, went fishing and picked manioc," says one of the local employees now drifting back to work in Kwanda. "During the occupation there was nothing else to do."

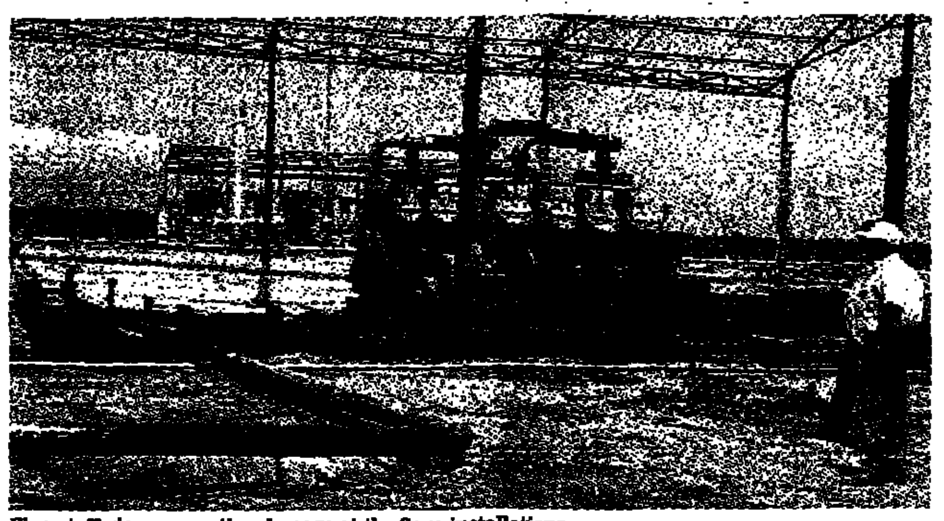
The impact of Unita's occupation of Soyo as much symbolic as economic. With the vast part of Angola's output of 650,000 barrels a day coming from offshore installations run by Chevron, Texaco and Elf, the loss of Soyo's 25,000 barrels was never going to present the government with a major budgetting problem. But by proving it was capable of striking at the oil installations, hitherto spared by Angola's devastating 19-year civil war, Unita dealt a major blow to Luanda's prestige and the oil sector's confidence.

"The occupation sent jitters through the industry," says Mr Philippe Remacle, Fina's technical manager. "Investments completely dried up and some companies have only started increasing offshore production now that Fina has returned."

Rebuilding that shattered confidence will not come cheap. Experts put the price of repairing Kwanda, expected to take a year, at $500m. Fina, which lost three years in production, estimates the price of rehabilitation of its onshore installations at another $60m. It costs $6,000 to clear a hectare of land of mines.

Fina is petitioning the government, its partner in Soyo, to carry some of that cost. But there has never been any thought of abandoning the site, says Mr Alves. "There's still a lot of oil there, enough, we believe, for another 20 to 25 years. We never considered withdrawing." With Angola's UN-brokered peace process inching painfully forwards, oil industry executives claim there are no fears that Unita, which returned the civil war in 1992 after rejecting the election results, will target Soyo again. The presence of a UN Zimbabwean contingent camped near Kwanda and 800 Angolan soldiers is an additional deterrent.

But local villagers, whose children are still being crippled by the mines, appear less sanguine. Asked how far away Unita forces now lie from Soyo, one laughs bleakly and points to a nearby clump of trees. "Unita could be as close as that. We expect them to try again. It is not in their nature to give up."



Fina staff view occupation damage at the Soyo installations

BSE 'may add 1.8m tonnes to European feedgrain demand'

Europe's meat industry could need up to 1.8m tonnes, or 2 per cent, more grain next year as fears of "mad cow disease" prompt a switch from beef to grain-fed pork and poultry, according to French farm analyst Strategie Grains, reports Reuters from Paris.

In the first detailed study of the link between the bovine spongiform encephalopathy (BSE) scare and grain consumption, Strategie Grains said there would be no impact this season, ending June 30, but a rise in demand next season.

"There are so many variables but we are trying to put down a few markers for next year," said director Mr Andree Paquier-Defois.

Beef demand has fallen since Britain reported on March 20 a possible link between BSE and a human brain disorder, stirring forecasts of higher demand for grain-intensive poultry and pork.

Strategie based its forecast on the assumption that 40 per cent each of lost beef sales would be transferred to poultry and pork.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1579-80	1614-14.5
Previous	1598-99	1631-32
High/low	1580/1578	1617/1604
AM Official	1577-78	1613-14
Kerb close		1603-4
Open int.	119,294	
Total daily turnover	211,026	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1579-80	1614-14.5
Previous	1350-60	1390-95
High/low		1385/1370
AM Official	1577-78	1613-14
Kerb close		1375-80
Open int.	5,074	
Total daily turnover	2,187	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	820-22	811-12
Previous	815-18	808-9
High/low	823/815	813/802
AM Official	821.5-22.5	811.5-12.5
Kerb close		809-10
Open int	38,566	
Total daily turnover	14,962	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8185-95	8280-85
Previous	8250-60	8335-40
High/low		8310/8270
AM Official	8180-90	8270-80
Kerb close		8260-70
Open int.	9,319	
Total daily turnover	39,337	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6465-75	6470-80
Previous	6445-55	6465-70
High/low	6430/6475	6485/6450
AM Official	6430-85	6490-85
Kerb close		6450-60
Open int.	17,359	
Total daily turnover	6,298	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1054-55	1080-81
Previous	1060-61	1085-85.5
High/low	1053	1086/1076
AM Official	1052-53	1078-79.5
Kerb close		1076-76.5
Open int	67,952	
Total daily turnover	32,600	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2591-93	2570-71
Previous	2587-90	2558-59
High/low	2590/2588	2576/2556
AM Official	2589-91	2562-63
Kerb close		2555-56
Open int.	173,333	
Total daily turnover	103,977	

■ LME AM Official £/$ rate: 1.5078
LME Closing £/$ rate: 1.5086

Spot: 1.5093 3 mths: 1.5074 6 mths: 1.5056 9 mths: 1.5038

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	118.25	-1.05	120.25	118.10	300	1,984
May	117.75	-1.65	120.30	117.60	10,598	17,183
Jun	116.50	-1.80	118.50	116.50	86	1,047
Jul	116.05	-1.45	118.40	116.05	4,644	10,377
Aug	115.20	-1.35	116.60	116.60	11	561
Sep	114.40	-1.20	116.20	114.30	312	3,770
Total					16,178	44,382

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	392.80-393.20		
Opening	393.50-393.90		
Morning fix	393.75	261.073	485.179
Afternoon fix	393.20	260.604	483.243
Day's High	393.60-394.30		
Day's Low	392.30-392.70		
Previous close	394.00-394.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.81	6 months	3.75
2 months	3.85	12 months	3.74
3 months	3.80		

Silver Fix	p/troy oz.	US cts equiv.
Spot	364.50	548.75
3 months	369.35	556.40
6 months	374.25	563.15
1 year	384.50	577.05

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	261-263
Maple Leaf	403.95-406.50	
New Sovereign	93-96	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	383.0	-1.6	383.6	382.2	11	236
Jun	385.5	-1.6	387.0	384.7	102	106,171
Aug	387.7	-1.6	388.3	386.9	240	20,819
Oct	390.1	-1.6	390.5	389.7	230	5,357
Dec	402.5	-1.6	403.3	401.7	1,085	24,613
Feb	405.0	-1.6	405.5	404.5	5	5,128
Total					34,176	269,804

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	406.6	-3.4	408.5	406.5	10	51
Jul	406.6	-3.4	409.5	405.5	2,289	19,594
Oct	409.8	-3.4	412.5	410.0	18	3,069
Jan	412.6	-3.4	416.0	413.0	2	1,076
Apr	415.3	-3.4	-	-	30	705
Total					2,348	24,528

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	136.50	-0.25	138.75	136.00	262	5,412
Sep	138.65	-0.30	139.85	138.85	10	1,671
Dec	140.65	-0.30	141.50	141.25	1	198
Total					282	6,841

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	547.1	-3.8	550.0	550.0	1	1
May	548.0	-3.8	551.5	545.0	18,081	51,956
Jul	553.2	-3.8	557.5	550.5	4,103	22,813
Sep	557.9	-3.8	562.0	556.0	39	11,485
Dec	565.1	-4.1	568.5	562.0	30	9,091
Mar	572.5	-4.3	581.0	577.0	18	3,317
Total					22,347	101,213

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	24.70	+0.41	25.00	23.65	52,579	64,607
Jun	22.17	+0.26	22.25	21.32	38,061	102,504
Jul	20.57	-0.13	20.80	19.87	16,921	54,238
Aug	19.53	+0.05	19.55	19.00	9,442	43,644
Sep	18.65	-0.01	18.92	18.43	7,700	33,632
Oct	18.22	+0.05	18.26	18.22	2,321	22,434
Total					130,388	481,498

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	21.90	+0.15	21.90	21.27	12,189	27,929
Jun	20.17	-0.22	20.17	19.52	23,504	64,906
Jul	18.73	+0.15	18.73	18.30	4,304	46,889
Aug	17.95	+0.10	17.96	17.65	1,653	19,277
Sep	17.46	+0.06	17.46	17.25	883	12,498
Oct	17.17	+0.05	17.17	17.00	147	5,476
Total					42,835	209,203

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	62.85	+0.83	63.30	61.05	12,049	24,632
Jun	57.00	-0.45	57.50	55.50	5,140	16,981
Jul	54.05	-0.33	54.15	53.10	2,646	13,556
Aug	52.95	+0.13	53.10	52.35	1,437	6,985
Sep	53.10	+0.08	53.20	52.55	1,198	8,284
Oct	53.60	-	53.60	53.55	718	3,548
Total					28,814	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	184.25	-1.50	184.25	179.50	6,618	18,464
Jun	174.00	-1.75	174.25	170.75	3,416	11,285
Jul	168.00	-2.00	168.00	165.00	794	8,343
Aug	163.75	-2.00	163.75	161.75	286	5,923
Sep	162.25	-2.00	162.50	160.00	104	2,124
Oct	162.25	-2.00	162.75	160.50	102	1,114
Total					11,426	54,888

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.335	-0.076	2.400	2.335	16,503	31,892
Jun	2.245	-0.047	2.400	2.335	6,433	25,880
Jul	2.215	-0.036	2.260	2.210	2,167	20,397
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	71.80	-0.37	72.70	70.80	17,881	24,726
Jun	68.90	-0.15	69.60	68.05	8,847	20,124
Jul	65.80	+0.12	66.00	65.12	3,632	12,754
Aug	63.80	+0.12	63.80	61.85	1,779	8,093
Sep	58.10	+0.15	59.30	58.10	849	2,808
Oct	52.00	-	57.00	52.00	16	1,088
Total					33,998	103,819

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	125.20	-0.15	125.75	125.05	162	2,122
Jul	127.90	-0.45	128.50	127.75	41	1,949
Sep	118.75	-0.70	115.50	115.50	23	317
Nov	117.60	-0.40	118.00	117.50	18	2,030
Jan	119.50	-0.40	120.50	119.50	14	593
Mar	121.30	-0.20	122.00	122.00	30	581
Total					328	8,214

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	588.75	+4.25	598.00	574.00	5,748	13,136
Jul	556.75	-3.75	563.00	543.00	28,225	57,322
Sep	550.00	-7.25	560.00	543.00	1,274	14,814
Dec	558.50	-8.50	567.00	543.00	4,933	13,603
Mar	548.00	-10.50	560.00	543.00	224	856
Jul	482.00	-7.50	457.00	458.00	290	934
Total					34,893	99,954

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	435.50	+4.50	459.00	446.50	32,868	122,512
Jul	442.00	+4.00	444.50	434.00	47,349	184,415
Sep	376.50	-2.50	382.00	371.00	9,855	52,878
Dec	331.25	-7.25	338.00	330.00	27,897	115,962
Mar	338.50	-7.25	341.00	336.00	2,241	11,514
May	338.25	-7.25	341.00	335.50	322	1,163
Total					122,313	479,827

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	112.75	-0.10	112.50	112.50	15	405
Sep	116.15	-0.35	-	-	-	42
Nov	111.50	-0.10	111.50	111.50	22	537
Jan	113.70	-0.45	-	-	-	105
Mar	118.00	-1.15	117.00	115.00	-	47
Total					29	1,136

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	789.75	-0.25	799.50	788.50	13,486	49,498
Jul	798.00	-8.00	809.50	797.00	32,751	74,729
Aug	799.00	-7.25	808.50	798.50	1,734	9,302
Sep	786.75	-5.75	799.00	785.50	1,507	5,758
Nov	779.75	-6.00	792.00	779.00	14,132	65,672
Jan	786.50	-7.25	798.00	786.00	227	5,043
Total					64,569	219,788

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	26.79	-0.14	26.48	26.19	8,284	23,219
Jul	26.59	-0.18	26.89	26.48	11,095	43,695
Aug	26.83	-0.19	27.05	26.70	1,447	7,217
Sep	26.88	-0.17	27.18	27.02	294	4,106
Oct	27.09	-0.16	27.30	26.97	195	2,637
Dec	27.42	-0.13	27.60	27.25	2,402	13,667
Total					23,828	97,864

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	249.9	-3.0	254.2	249.8	9,127	25,570
Jul	254.1	-2.9	258.5	254.0	13,620	45,128
Aug	253.9	-2.4	256.7	254.5	1,784	8,043
Sep	253.0	-1.3	255.5	252.4	576	5,179
Oct	249.6	-2.3	252.6	249.7	141	3,338
Dec	249.4	-2.2	252.7	249.3	3,658	13,194
Total					31,084	101,283

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	165.0	+7.5	165.0	160.0	18	140
May	225.0	-	-	-	-	-
Jun	105.0	-	-	-	-	-
Nov	130.0	-	-	-	-	5
Mar	143.0	+6.7	143.0	137.0	338	349
Total					88	4,823

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1440	+5	1440	1433	16	915
May	1347	+2	1345	1340	15	717
Jun	1288	-10	1285	1285	32	263
Jul	1265	+6	1265	1260	17	1,896
Oct	1310	-5	1310	1310	16	800
Jan	1349	+11	-	-	-	56
Total					96	4,629

	Close	Prev
BFI	1447	1460

Tea

There was again good general demand this week reports the Tea Broker's Association. Landed the few brightest liquoring East Africans on offer held firm but below best dropped 3-5p/kg. Better medium sold well at firm to dearer levels while otherwise cleaner. Offshore: good competition but prices moved irregularly easier. Quotations: best available 180p/kg, good 135p/kg, good medium 120p/kg, medium 102p/kg, low medium 80p/kg. The highest price realised this week was 150p/kg for kenya pf1 and ceylon bop.

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1000	-8	1020	1003	894	11,503
Jul	1039	-3	1049	1030	1,476	28,144
Sep	1061	+1	1070	1052	565	43,298
Dec	1025	+4	1035	1019	394	16,877
Mar	1030	+3	1041	1026	128	41,318
May	1041	+5	1049	1041	129	13,647
Total					3,567	167,843

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1344	-12	1361	1342	2,727	8,973
Jul	1368	-10	1383	1365	7,038	31,115
Sep	1389	-7	1402	1382	1,100	14,572
Dec	1398	-11	1412	1392	331	16,133
Mar	1410	-6	1429	1412	14	11,787
May	1428	-6	1435	1433	8	4,666
Total					11,212	86,902

■ COCOA (ICCO) (SDR's/tonne)

Apr 12	Price	Prev. day
Daily	1017.75	985.24

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1880	-42	1879	1848	1,669	12,549
Jul	1821	-39	1830	1802	1,880	8,725
Sep	1808	-45	1818	1795	130	4,208
Nov	1790	-40	1811	1790	64	2,408
Jan	1783	-38	1777	1770	21	1,258
Mar	1768	-28	1767	1767	-	801
Total					3,765	29,936

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	114.85	-0.40	115.30	112.70	5,831	12,008
Jul	114.90	-0.30	115.40	113.00	3,280	10,062
Sep	114.50	-0.50	115.00	113.00	865	4,476
Dec	114.50	-0.50	114.75	113.50	187	2,274
Mar	113.25	-0.05	-	-	25	529
May	113.25	-1.75	114.00	114.00	-	189
Total					9,214	29,581

■ COFFEE (ICO) (US cents/pound)

Apr 12	Price	Prev. day
Comp. daily	108.12	105.74
15 day average	105.99	106.15

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	387.0	+4.2	413.0	382.2	1,156	1,506
Aug	383.3	-8.2	387.5	380.0	1,556	11,512
Oct	345.5	+0.8	348.5	344.0	473	5,642
Dec	336.3	+4.8	335.0	333.5	157	2,786
Mar	324.3	+1.3	325.0	322.5	100	1,613
May	321.5	+3.0	320.5	320.5	-	977
Total					3,547	24,136

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.67	+0.05	11.75	11.62	5,882	31,277
Jul	11.19	+0.07	11.24	11.11	6,210	55,628
Oct	10.97	+0.03	10.98	10.88	1,850	33,161
Mar	10.77	+0.03	10.77	10.65	652	30,217
May	10.68	+0.05	10.68	10.60	53	5,325
Jul	10.58	+0.05	10.54	10.50	27	2,591
Total					14,768	149,498

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.89	-2.10	86.75	83.80	4,701	15,657
Jul	85.25	-2.12	86.10	85.10	3,726	21,010
Oct	81.80	-1.20	83.45	81.50	243	2,957
Dec	80.50	-0.70	81.44	80.50	1,623	22,274
Mar	81.75	-0.18	82.25	81.75	112	2,640
May	82.22	-0.18	82.50	82.22	86	1,675
Total					9,806	68,028

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	130.60	-2.15	132.25	130.00	561	11,183
Jul	128.40	-1.25	130.50	128.50	371	5,507
Sep	128.45	-0.85	129.00	128.00	156	2,604
Nov	125.75	-0.55	125.00	125.60	129	945
Jan	122.75	-0.50	123.25	122.75	108	3,047
Mar	124.15	-0.70	125.45	125.45	102	187
Total					1,447	23,821

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 15	Apr 12	month ago	year ago
2114.1	2117.0	2138.3	B/H

■ CRB Futures (Base: 1967=100)

Apr 12	Apr 11	month ago	year ago
250.17	250.88	248.27	243.18

■ GSCI Spot (Base: 1970=100)

Apr 12	Apr 11	month ago	year ago
213.12	216.88	195.79	180.46

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	60.425	+0.100	60.500	60.025	2,871	4,615
Jun	61.350	+0.075	61.525	60.800	8,084	37,769
Aug	62.350	+0.100	62.575	62.125	4,638	22,771
Oct	64.225	-	64.400	64.025	2,124	13,334
Dec	62.775	+0.125	62.975	62.575	1,074	10,548
Feb	63.150	+0.100	63.400	63.000	696	5,621

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	54.450	+0.175	54.675	53.800	889	3,899
Jun	57.775	+0.225	58.300	57.300	4,283	18,880
Jul	55.275	+0.400	55.350	54.625	1,441	7,227
Aug	51.125	+0.700	51.500	50.300	702	5,850
Oct	47.250	+0.400	47.450	46.650	522	3,732
Dec	49.075	+0.450	49.400	48.650	244	3,346

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	73.700	+0.725	74.975	71.950	1,183	4,928
Jul	73.600	+1.225	74.575	71.200	818	3,769
Aug	70.650	+0.525	72.125	68.950	289	1,338
Feb	67.850	-0.700	69.150	67.700	41	387
Mar	68.000	-	68.950	68.000	1	11
May	71.500	-	72.600	-	3	4

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Sep	May	Sep
1600	83	146	3	25
1650	10	64	27	60
1700	3	43	116	116
■ COPPER (Grade A) LME	May	Sep	May	Sep
2500	92	86	5	83
2600	18	42	41	142
2700	3	-	123	-
■ COFFEE LCE	May	Jul	May	Jul
1850	31	109	15	128
1900	10	91	44	170
1950	2	75	86	204
■ COCOA LCE	May	Jul	May	Jul
875	134	166	-	2
900	109	143	-	4
925	84	122	-	8
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
2050	-	48	-	-
2100	-	30	-	-
2150	-	18	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	$17.85-7.95w	-0.280
Brent Blend (dated)	$22.48-2.54	-0.300
Brent Blend (May)	$21.83-1.89	-0.250
W.T.I.	$24.75-4.80x	-0.275

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$232-234	-5
Gas Oil	$199-200	-2
Heavy Fuel Oil	$109-111	+2
Naphtha	$204-206	-8.5
Jet fuel	$228-230	-2
Diesel	$203-204	-3

■ NATURAL GAS (Pence/therm)

Bacton (May)	8.25-8.55	+0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$393.00	-1.15
Silver (per troy oz)♣	547.50c	-4.00
Platinum (per troy oz.)	$404.80	-1.20
Palladium (per troy oz.)	$136.40	+0.15
Copper	125.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.94r	-0.02
Tin (New York)	303.50	
Cattle (live weight)	100.47p	-9.17*
Sheep (live weight)	176.91p	+7.57*
Pigs (live weight)†	101.33p	-8.74*
Lon. day sugar (raw)	$303.4	-2.9
Lon. day sugar (wte)	$397.0	-7.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	148.5	
Wheat (US Dark North)	Unq.	
Rubber (May)♥	99.00p	+0.75
Rubber (Jun)♥	99.00p	+0.75
Rubber (KL RSS No1)	364.50m	
Coconut Oil (Phil)§	$747.50	-2.50
Palm Oil (Malay.)§	$567.50	+37.5
Copra (Phil)§	$470.0v	
Soyabeans (US)	230.0v	+3.0
Cotton Outlook'A' index	83.55c	
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v May. w Apr/May. y Apr Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,039 head of pigs sold.

JOTTER PAD

CROSSWORD

No. 9,044 Set by GRIFFIN

Starred clues have no definition but the answers are all of a kind

ACROSS

1 *Divorcee returned to cheat American (6)
4 Former student dropped less religious lady (8)
10 *Peas shine when cooked (9)
11 *Favourite about to make a comeback (5)
12 *Spoil picture card (4)
13 *Company deficit as in trouble (10)
15 Object found in *torn* clothing (7)
16 *He's there but hidden inside (6)
19 Second branch to include eastern embroidery (6)
21 Explorer very good to single royal (7)
23 Westerner cold at Nice when swimming (10)
25 Lorry driver doesn't even reverse vehicle initially (4)
27 A Doctor Elizabeth Green follows this (5)
28 Lawyer coils rolled gold round it (9)
29 Careless smack and a pinch (8)
30 *Rider taking gifts to the poor (6)

DOWN

1 Always over me training soldiers (8)
2 Duck needs the right sage if not! (9)
3 After which Major shows you the stars? (4)
5 Meat dish is topside in part (7)
6 Work on site causes hostility (10)
7 Once painting possibly raised more (5)
8 Force front security lock (6)
9 Frisk or act stupidly around five (6)
14 Puzzled virgin before getting into bed (10)
17 Basic ingredient used by Capone (9)
18 *One wandering into non-U pubs . . . . (8)
20 * . . . . is seen dancing after midnight (7)
21 Gems right in rings (6)
22 *Marines love interrupting a brief answer (6)
24 Reptile needs firm support (5)
26 Bill's on the way up (4)

Solution to Saturday's prize puzzle on Saturday April 27.
Solution to yesterday's prize puzzle on Monday April 29.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

European prices lose most of early gains

By Antonia Sharpe in London and Lisa Bransten in New York

European government bond markets opened on a stronger note yesterday morning in response to Friday's advance in the US, but gave up much of the early gains by the afternoon when the hoped-for buying flows failed to materialise.

Profit-taking was most apparent in France, prompted mainly by last week's disappointing inflation figures and the widespread opinion that the yield spread over Germany had become too tight.

Mr Graham McDevitt, senior bond strategist at Paribas, said international investors were selling France and going into Germany.

He added that the market was also easing ahead of Friday's BTAN auction. The sales of BTANs due March 1998 and March 2001 could raise between FFr16bn and FFr20bn.

On Matif, the June contract of the French 10-year notional government bond future fell by 0.20 to 121.74 in estimated volume of 92,816 contracts. The yield spread over Germany widened to 14 basis points from 11 points on Friday.

■ German government bonds traded in a fairly slim range as the market geared up for the Bundesbank's council meeting on Thursday – the first after the Easter break – and the possible release of M3 data for March on the same day.

Dealers said if the data were released on Thursday, and if they showed a significant deceleration, the Bundesbank was likely to cut official rates.

However, they added that such a move would be unlikely if publication of the data was delayed to the end of the week. In that case, the market would have to wait until May for rates to be cut.

On Liffe, the June bund contract failed to break above the 96.50 resistance point and in the late afternoon was trading up 9 basis points at 96.24 in volume of 95,373 contracts.

■ UK gilts initially ignored the release of March producer prices, but on reflection were unsettled by the 0.5 per cent increase in manufacturers' fuel and raw material costs, the biggest rise since September last year.

Mr Don Smith, UK economist at HSBC Markets, said the input side of the producer price equation caused the yield spread over Germany to widen to 175 basis points yesterday from 171 points on Friday. He said that at this level gilts were attractive but that investors were still worried by political risk in the market.

GOVERNMENT BONDS

Today, the Bank of England will release details of the gilts auction to be held on April 24. The market is expecting it to sell between £2½bn and £3bn of the 7½ per cent stock due 2006, which will be strippable. Dealers said that if the Bank chose this stock, it would become the official 10-year benchmark for the market.

On Liffe, the June contract of the long gilt future eased ⅛ to 105⅜ in turnover of just under 30,000 contracts.

■ Spread convergence remained a dominant theme in Europe's high-yielding government bond markets, spurred on by the Emu debate held in Italy at the weekend. In Italy, the spread over Germany came in to 394 basis points from 403 points on Friday while in Spain the spread came in to 290 basis points from 293 points.

Ms Phyllis Reed, European bond strategist at BZW, said of the two, she preferred Spain because the election was out of the way and the scope for rate cuts was larger than in Italy.

■ US Treasury prices were flat to moderately lower in early trading as traders held steady in the face of uncertainty about the emergence of inflationary pressures.

Near midday, the benchmark 30-year Treasury was down ⅛ at 89⅝ to yield 6.814 per cent, while at the short end of the maturity spectrum the two-year note was ⅛ lower at 100⅛, yielding 5.937 per cent. The June Treasury bond future was down ⅛ at 109⅛.

Weakness among longer-term bonds led the curve that traces the spread between the two-year note and the long bond to steepen to 88 basis points from 87 points late on Friday.

Attention was focused on commodity prices, which have been soaring since last month. Yesterday the Knight Ridder-Commodities Research index provided the market with some relief as it slipped by 0.39 to 259.78.

The dollar edged lower against the yen and higher against the D-Mark. Near midday, the US currency was changing hands for Y108.41 and DM1.5110 compared with Y108.59 and DM1.5039 late on Friday.

Banks tap retail demand for short-term dollar deals

By Conner Middelmann

Three banks yesterday tapped into retail appetite for short-dated US dollar bonds, which has been whetted by the US dollar's recent strength. "It's the only game in town right now," said a syndicate official.

Institutional investors, which usually favour longer-dated bonds, have been sidelined following the sell-off in the US bond market 10 days ago, he said. At the short end, however, "retail investors decided the recent sell-off was a good opportunity to buy higher coupons than they could get a month ago".

Dollar strength and a widespread feeling that US interest rates are not likely to rise soon has also fuelled retail interest, another trader said.

First off the blocks was Rabobank Nederland with $200m of three-year bonds at a spread over Treasuries of 7 basis points. According to lead manager Goldman Sachs, the deal saw good demand from retail accounts in Switzerland and the Benelux region.

Morgan Guaranty launched $200m of three-year bonds at a spread of 10 basis points over Treasuries via JP Morgan and Abbey National issued $200m of three-year bonds, at a 15 basis point spread over Treasuries via Salomon Brothers.

The French franc sector saw a successful deal for the Exim Bank of Japan, the first Japanese name in the French currency sector for two years.

INTERNATIONAL BONDS

Jexim issued FFr1.5bn of 11-year bonds at a spread of 12 basis points over OATs. Lead manager Banque Paribas said the deal was several times oversubscribed, with the bulk placed among French insurance companies and pension funds. Japan's Kansei Electric Power is also looking to tap the market for FFr3bn in the coming days, dealers said.

Citibank is getting ready to launch a D-Mark denominated credit-card backed deal on Thursday, the first time a US issuer has taken dollar-backed receivables and swapped them into a European currency, and the second asset-backed security issued in D-Marks.

Expected to total DM1bn, the issue will be structured as a soft-bullet three-year floating-rate offering, and priced at between five and eight basis points over Libor, said lead manager Merrill Lynch.

Citibank's bonds are likely to appeal to European investors seeking short-dated, triple-A rated floating-rate notes with an above-Libor yield, rather than investors specialising in asset-backed securities and used to receiving 11 or 12 basis points over Libor for three-year dollar paper, a dealer said.

The deal compares favourably with D-Mark FRNs such as Italy's 1999 notes, which trade at Libor plus 4 basis points or Belgium's 1999 notes which yield Libor less 6 points.

The European asset-backed market is still in its infancy but investors have become more comfortable with such securities, and others are expected to follow Citibank.

New French floater set to become benchmark

By Samer Iskandar

Rarely has a new structured debt instrument seen such success as the French Treasury's new TEC 10 OATs. The total amount issued on the first tranche was FFr18bn, well in excess of the FFr10bn to FFr15bn the market expected.

Non-residents, who had been shunning the French market, were reported to have bought between 20 and 30 per cent of the issue. After the launch, the bonds traded up to 100.10 within a few hours, against an issue price of 99.90. At the end of last week, they were trading around 100.15.

"There was a need by institutional investors for a liquid floating-rate product in francs", said a member of the issuing syndicate. "The longest existing variable-rate OAT was the TME-linked issue maturing in 2001, which was too expensive and its maturity too short." With most of the amount locked in portfolios, it had also become illiquid.

TME-linked bonds were never very popular, not least because the underlying index was difficult to calculate, involving amount-weighted averages of a number of issues with maturities anywhere between seven and 30 years.

The TEC 10 index is just the mean yield of the two most liquid OATs with maturities as close as possible to 10 years. Also, the TEC 10-based coupon is pre-determined and announced five days before the beginning of each quarter, whereas the TME could be affected during a coupon period by the Treasury's issuance timetable as well as by changes in the level of yields and the shape of the yield curve.

The Treasury's decision to issue the first tranche by syndication, as opposed to the traditional auction method, played a significant part in the success of the operation. Prior to launch, several banks and investment houses issued upbeat research documents outlining the advantages of the new bonds.

In a special issue of Accelera-tion, a Crédit Lyonnais publication, the bank's analysts pointed to "limited capital risk", making the instrument an ideal investment for investors who anticipate rising long-term yields due to improving economic conditions "while further interest rate cuts in Europe cannot be excluded".

ABN Amro Hoare Govett believes the "TEC 10 is designed to become the real reference for long-term floaters", with the advantage of being "easier to hedge than existing floaters".

In a recent market update, ABN Amro's analysts pointed to the possibility offered by the TEC 10 to "lessen under-exposure on France... and benefit from the implicitly anticipated steepening" of the French yield curve.

Researchers at Tokyo Mitsubishi International last week said that current and forward yield curves "underestimate the chances of unilateral [French] rate cuts".

Furthermore, they underlined the weight of forthcoming supply in medium to long maturities, which should "reinforce a steepening curve trend", making TEC 10 OATs look all the more attractive. Bonds with a coupon based on the TEC 10 index are almost immune to changes in the level of the yield curve, but benefit strongly from yield curve steepening.

In addition to professionals' recommendations, the issue benefited from favourable market conditions.

"Traders had just returned from a long weekend after a very quiet week", said one trader. "The sell-off [in US Treasuries on Friday April 5] had reinforced expectations of weakness in the long end [of the maturity spectrum] in most markets".

Finally, the pricing of the issue, with a coupon of TEC 10 minus 98.5 basis points, came within the range of 90 to 100 basis points that analysts were expecting.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Rabobank Nederland(s)	200	6.25	100.00R	Dec 1999	0.1875R	+7(5⅝%-99)	Goldman Sachs International
Abbey Natl Treasury Services	200	6.25	99.804R	May 1999	0.1875R	+15(5⅝%-99)	Salomon Brothers Intl
Morgan Guaranty Tst Co of NY	200	6.25	99.94R	May 1999	0.1875R	+10(5⅝%-99)	JP Morgan Securities
D-MARKS							
DePfa Bank(a)	1bn	5.25	99.67	Feb 2000	0.25	-	BayHyp/BayLB/Cmz/D'sche
Kingdom of Sweden(s)	300	5.625	99.82R	Dec 2001	0.275R	+14(6¼%-01)	SBC Warburg
DSL Finance(b)	300	5.00	98.38R	Jan 2001	0.25R	+25(5¼%-00)	Deutsche/Salomon Brothers
STERLING							
Banque Nationale de Paris(c)‡	50	(c1)	100.20	May 1998	0.20	-	Sanwa International
GUILDERS							
DSL Finance(s)	250	5.125	99.55R	Oct 2000	0.225R	+4(6%-00)	ABN Amro Hoare Govett
FRENCH FRANCS							
Exim Bank of Japan	1.5bn	6.625	99.384R	May 2007	0.35R	+12(l)	Banque Paribas
Groupe Danone	1.5bn	5.75	99.35R	May 2001	0.30R	+21(l)	Crédit Lyonnais
ECU							
WestLB Finance Curaçao	55	(d)	101.84	May 2002	1.875	-	Kredietbank Intl Group
DANISH KRONER							
Finance for Danish Industry	400	6.50	101.875	Jun 2001	1.875	-	Den Danske Bank
CZECH KORUNA							
International Finance Corp	2bn	10.00	101.13	Apr 1998	1.25	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over relevent government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Oeffentliche Pfandbrief. Fungible with DM3bn. Plus 122 days accrued. b) Fungible with DM1bn. Plus 104 days accrued. c) Callable on 14/5/97 at par. c1) 3-mth Libor +30bp to 14/5/97 and 7.75% fixed annual thereafter. d) 5.25% to 29/5/99 and 8% thereafter. l) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	105.3760	+0.200	9.02	8.79	8.44
Austria		6.125	02/06	97.2000	+0.250	6.52	6.45	6.47
Belgium		7.000	05/06	101.9300	-0.010	6.73	6.69	6.76
Canada *		8.750	12/05	106.0500	-0.570	7.84	7.60	7.37
Denmark		8.000	03/06	103.7800	-0.020	7.44	7.44	7.49
France	BTAN	5.750	03/01	100.0000	-0.130	5.76	5.72	5.58
	OAT	7.250	04/06	104.7100	-0.190	6.59	6.58	6.55
Germany Bund		6.000	02/06	96.6800	-0.050	6.46	6.39	6.33
Ireland		8.000	08/06	100.6000	+0.150	7.90	7.92	7.76
Italy		9.500	02/06	95.8900	+0.500	10.17†	10.37	10.10
Japan	No 129	6.400	03/00	116.1440	-0.030	1.96	1.82	1.88
	No 182	3.000	09/05	98.3400	+0.140	3.23	3.12	3.22
Netherlands		6.000	01/06	96.9800	+0.100	6.42	6.37	6.31
Portugal		11.875	02/05	115.9000	+0.780	9.16	9.29	9.64
Spain		10.150	01/06	104.7500	+0.240	9.36	9.44	9.98
Sweden		6.000	02/05	85.4980	+0.080	8.39	8.45	9.02
UK Gilts		8.000	12/00	102-02	+2/32	7.46	7.43	7.03
		7.500	12/06	95-26	-5/32	8.09	8.06	7.82
		9.000	10/08	106-09	-6/32	8.19	8.16	7.96
US Treasury *		5.625	02/06	93-22	+8/32	6.50	6.31	5.98
		6.000	02/26	89-21	+6/32	6.81	6.64	6.40
ECU (French Govt)		7.500	04/05	103.1800	-0.040	7.01	7.04	6.99

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.05	Two year	5.95
Prime rate	8¼	Two month	4.95	Three year	6.09
Broker loan rate	7	Three month	5.06	Five year	6.31
Fed funds	5⅜	Six month	5.25	10-year	6.51
Fed funds at intervention	-	One year	5.50	30-year	6.90

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.22	121.74	-0.20	122.24	121.72	82,444	144,871
Sep	120.92	120.42	-0.20	120.92	120.72	16	5,220
Dec	119.62	119.12	-0.20	119.62	119.62	2	664

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	0.02	0.21	-
120	-	-	-	0.06	0.36	-
121	0.92	1.40	-	0.17	0.62	-
122	0.30	0.82	-	0.52	1.04	-
123	0.05	0.43	-	-	1.63	-

Est. vol. total, Calls 19,244 Puts 17,494. Previous day's open int., Calls 153,717 Puts 173,369

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.46	96.23	+0.08	96.46	96.11	94323	199631
Sep	95.48	95.33	+0.07	95.48	95.37	139	5575

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9600	0.48	0.87	0.63	0.97	0.25	0.64	1.30	1.64
9650	0.22	0.59	0.44	0.77	0.49	0.86	1.61	1.94
9700	0.08	0.39	0.30	0.58	0.85	1.16	1.97	2.25

Est. vol. total, Calls 12291 Puts 10577. Previous day's open int., Calls 245280 Puts 203752

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.86	110.95	+0.52	111.34	110.82	38001	49936
Sep	110.68	110.37	+0.49	110.70	110.66	90	258

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11050	1.66	2.41	1.23	2.54
11100	1.40	2.18	1.45	2.81
11150	1.15	1.96	1.70	3.09

Est. vol. total, Calls 4260 Puts 6775. Previous day's open int., Calls 61282 Puts 75428

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	97.55	97.50	+0.19	97.85	97.42	70,200	42,252

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-24	105-16	-0-05	105-26	105-14	30952	125374
Sep		104-14	-0-04			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
105	0-51	1-22	1-07	1-42	0-19	0-54	1-43	2-14
106	0-18	0-51	0-48	1-16	0-50	1-19	2-20	2-52
107	0-04	0-28	0-30	0-59	1-36	1-60	3-02	3-31

Est. vol. total, Calls 2558 Puts 3849. Previous day's open int., Calls 41686 Puts 39941

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.60	90.28	-0.02	90.64	90.26	3,247	7,211
Sep		89.34					

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-30	109-03	-0-05	110-05	108-23	457,281	375,754
Sep	109-15	109-07	-0-05	109-20	108-07	6,306	24,872
Dec	109-02	108-24	-0-04	109-02	108-23	288	5,206

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	118.66			118.84	118.66	2140	0
Sep	117.70			117.70	117.69	70	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Apr 15	Day's change %	Fri Apr 12	Accrued interest	xd adj. ytd		Low coupon yield Apr 15	Apr 12	Yr. ago	Medium coupon yield Apr 15	Apr 12	Yr. ago	High coupon yield Apr 15	Apr 12	Yr. ago
1 Up to 5 years (24)	121.67	+0.12	121.53	2.50	2.43	5 yrs	7.56	7.59	8.21	7.58	7.62	8.29	7.68	7.73	8.42
2 5-15 years (19)	145.63	+0.07	145.53	3.00	2.55	15 yrs	8.23	8.23	8.29	8.25	8.24	8.35	8.32	8.34	8.56
3 Over 15 years (9)	159.54	-0.07	159.64	2.74	3.48	20 yrs	8.29	8.30	8.28	8.30	8.29	8.35	8.36	8.38	8.51
4 Irredeemables (6)	183.75	+0.64	182.59	4.03	1.47	Irred.†	8.32	8.36	8.34						
5 All stocks (58)	141.11	+0.06	141.02	2.81	2.67										

Index-linked							Inflation 5% Apr 15	Apr 12	Yr. ago	Inflation 10% Apr 15	Apr 12	Yr. ago
6 Up to 5 years (1)	197.94	+0.04	197.87	4.17	0.00	Up to 5 yrs	3.00	3.01	3.18	1.73	1.73	1.84
7 Over 5 years (11)	185.81	+0.01	185.80	1.06	1.33	Over 5 yrs	3.74	3.74	3.79	3.56	3.55	3.58
8 All stocks (12)	185.96	+0.01	185.94	1.13	1.30							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date. Figures for Apr 12 are recalculated.

FT FIXED INTEREST INDICES

	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9	Yr ago	High*	Low*
Govt. Secs. (UK)	92.36	92.29	92.04	92.48	92.27	92.31	96.34	91.97
Fixed Interest	111.90	111.78	111.71	111.87	111.81	110.91	115.23	110.74

GILT EDGED ACTIVITY INDICES

	Apr 12	Apr 11	Apr 10	Apr 9	Apr 4
Gilt Edged bargains	79.7	84.5	94.2	76.9	89.1
5-day average	84.9	87.8	89.1	86.5	92.8

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅝	97⅞	+½	6.93
ABN Amro Bank 7¼ 05	1000	100⅞	101⅛	+½	7.24
African Dev Bk 7⅜ 23	500	96½	97⅛	+½	7.69
Alberta Province 7⅜ 98	1000	102⅞	103⅛	+⅛	6.35
Sweden 8 97	2500	106	106⅛		3.82
United Kingdom 7¼ 97	5500	104⅞	105		3.78
Volkswagen Intl Fin 7 03	1000	102½	102⅝	+⅛	6.55
World Bank 0 15	2000	30	30	+¼	6.31
World Bank 5⅞ 03	3000	99	99⅛	+⅛	6.04
Abbey Natl Treasury 8 03 £	1000	98¼	98⅛	+¼	8.34
Alliance Leics 11⅜ 97 £	100	104¼	105		6.58
British Land 8⅞ 23 £	150	87⅞	88¼		10.46
Denmark 6¾ 98 £	800	99	99¼		7.20
EIB 8 03 £	1000	99⅛	99⅜	+⅛	8.16
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.17	5.67	100½		108	100½
Exch 13¼pc 1996‡‡		13.17	6.03	100⅝		106⅛	100⅝
Treas 3pc 1996		0.92	5.86	217⅝	+⅛	217⅝	207
Conversion 10pc 1996		9.79	5.96	102⅛		104	102⅛
[illegible]							
Treas 12½pc 2003-5		9.99	8.03	125¼			
Treas 8½pc 2005‡‡		8.25	8.04	103			
Treas 7½pc 2006‡‡		7.82	8.09	95			
Treas 7¾pc 2006‡‡		7.96	8.12	97			
[illegible]							

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar at 14 month high as D-Mark weakens

By Philip Gawith

It was a day of records rather than volume yesterday with the dollar and D-Mark moving in opposite directions, but activity remaining fairly modest.

The dollar reached a 14 month high against the D-Mark of DM1.5130, while the D-Mark fell to a 15 month low against the Italian lira, a 16 month low against the Spanish peseta and a 26 month low against the French franc.

The dollar finished in London at DM1.5104, from DM1.5037 on Friday. Against the yen it closed at Y108.375, from Y108.675.

Although the D-Mark rallied slightly in the European afternoon, it was undermined by comments from Mr Hans Tietmeyer, the Bundesbank president, that he saw room for further easing of the exchange rate. After touching L1,038.6 against the lira, it closed at L1,041. Against the franc it reached FFr3.3901, before finishing at FFr3.394.

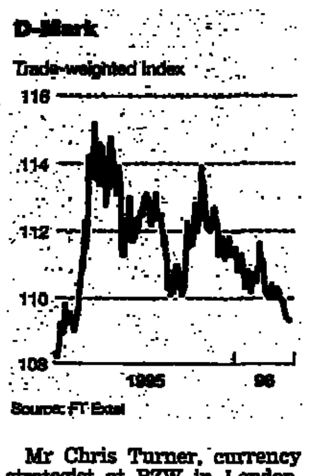
Sterling had a very steady day with the trade-weighted index unchanged throughout the day. Gains against the D-Mark were offset with losses against the dollar. It finished at DM2.2773, from DM2.2725, and at $1.5078 from $1.5113.

The South African rand was in trouble again, slipping to a low of R4.22 against the dollar, before finishing at 4.215, from R4.125 on Friday.

■ The main message for the market from the EU meeting in Verona was that plans for monetary union in Europe remain on course. Speculation that countries like Italy and Sweden might come under pressure to join the ERM prompted further appreciation of these currencies.

In the case of Sweden, the announcement yesterday of a SKr22bn fiscal stringency package may turn out to be an argument for currency weakness, given the dampening effect it is likely to have on domestic economic activity. "It supplies a need for a reasonably weak currency going forward (to boost exports)," said Mr Brian Martin, economist at Barclays Bank in London.

■ Away from Europe, there is a fair amount of caution about the outlook for the dollar. Mr John Lipsky, chief economist at Salomon Brothers in New York, put the recent rally into context, noting that according to the Fed's 10-country trade-weighted index, the dollar has firmed by only 2.5 per cent over the first quarter of the year. Against a broader 101 country index, it is barely weaker than where it was at the beginning of 1994.



Source: FT Extel

Mr Chris Turner, currency strategist at BZW in London, points out that the Bundesbank has been "very successful in managing the gradual depreciation of the D-Mark without cutting rates that strongly." For this reason, he is cautious about the outlook for a cut in interest rates this week. "It would be better to hold out the hope without actually cutting them," he says.

From a currency angle, the danger of a cut is that it will cause markets to say that with the discount rate at a historic low, the next move in rates must be up, hence buy the D-Mark.

Mr Martin said that the backdrop to the dollar remained constructive, but he was "not so sure this is going to be the big break up in the dollar." With the dollar at Y108.5, he said: "I don't see how the US is going to be sanctioning a significantly weaker yen."

Mr Turner agreed that it was "very hard to see the G7 coming up with a very strong statement in favour of the dollar (at its Washington meeting this week)." He pointed out that since reaching a low of Y79.75 against the yen exactly a year ago, the dollar had rallied by 37 per cent – the largest 52 week rally since the Plaza Accord in 1985 when central banks agreed to devalue the dollar.

"I can't see the same upward momentum (in the dollar) continuing," he said.

■ The latest fall in the Rand appeared to be the product of a familiar mixture: uncertainty about the removal of exchange controls, and political nervousness – this time centred around threats from Mr Mangosuthu Buthelezi, the Inkatha leader, to withdraw from the government of national unity.

Mr Trevor Manuel, the new finance minister, restated the government's commitment to the gradual removal of exchange controls, and preventing excessive fluctuations in the real exchange rate.

■ Pound in New York

Apr 15	— Latest —	— Prev. close —
£ spot	1.5090	1.5145
1 mth	1.5085	1.5138
3 mth	1.5071	1.5126
1 yr	1.5015	1.5067

■ OTHER CURRENCIES

Apr 15	£	$
Czech Rp	41.5580 - 41.5804	27.5680 - 27.5780
Hungary	219.493 - 219.670	145.610 - 145.660
Iran	4524.30 - 4522.20	3000.00 - 3000.00
Kuwait	0.4525 - 0.4530	0.3002 - 0.3004
Poland	3.9592 - 3.9640	2.6265 - 2.6285
Russia	7410.38 - 7418.34	4915.00 - 4919.00
U.A.E.	5.5361 - 5.5394	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.0136	+0.0323	050 - 221	16.0400	16.0005	15.9836	2.2	15.9011	2.6	-	-	105.5
Belgium	(BFr)	46.7742	+0.1203	520 - 963	46.8260	46.5840	46.6892	2.7	46.4592	2.7	45.3392	2.6	107.6
Denmark	(DKr)	8.7909	+0.0201	866 - 952	8.8050	8.7665	8.7793	1.6	8.7545	1.7	8.6479	1.6	108.2
Finland	(FM)	7.1385	+0.0281	312 - 458	7.1580	7.0940	7.1341	0.7	7.126	0.7	-	-	82.3
France	(FFr)	7.7273	+0.0192	247 - 298	7.7488	7.7125	7.7144	2.0	7.6817	1.8	7.5918	1.8	109.7
Germany	(DM)	2.2773	+0.0048	762 - 783	2.2819	2.2745	2.2721	2.7	2.2621	2.7	2.2153	2.7	109.3
Greece	(Dr)	366.157	-0.016	846 - 468	368.534	365.363	-	-	-	-	-	-	66.9
Ireland	(I£)	0.9687	-0.0004	678 - 696	0.9698	0.9676	0.968	0.9	0.9665	0.9	0.9615	0.7	97.9
Italy	(L)	2370.15	-7.16	914 - 117	2375.44	2364.46	2378.4	-4.2	2393.5	-3.9	2446.2	-3.2	74.6
Luxembourg	(LFr)	46.7742	+0.1203	520 - 963	46.8260	46.5840	46.6892	2.7	46.4592	2.7	45.3392	2.6	107.6
Netherlands	(Fl)	2.5456	+0.0073	443 - 472	2.5497	2.5397	2.54	2.6	2.5277	2.8	2.476	2.7	107.8
Norway	(NKr)	9.8261	+0.0139	181 - 340	9.8809	9.8120	9.8171	1.1	9.798	1.1	9.7023	1.3	98.8
Portugal	(Es)	233.543	+0.024	421 - 665	233.843	233.057	233.958	-2.2	234.873	-2.3	-	-	95.5
Spain	(Pta)	190.007	+0.165	887 - 126	190.550	189.433	190.317	-2.0	190.812	-1.7	192.467	-1.3	82.0
Sweden	(SKr)	10.1720	+0.0267	621 - 819	10.1919	10.1099	10.1732	-0.1	10.1749	-0.1	10.1771	-0.1	88.9
Switzerland	(SFr)	1.8550	+0.0095	538 - 562	1.8612	1.8533	1.8486	4.1	1.8359	4.1	1.7791	4.1	112.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2165	+0.0012	157 - 173	1.2186	1.2127	1.2152	1.3	1.2122	1.4	1.1988	1.5	-
SDR†	-	1.045100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5062	-0.0035	054 - 069	1.5108	1.5054	-	-	-	-	-	-	-
Brazil	(R$)	1.4924	-0.004	919 - 929	1.4950	1.4912	-	-	-	-	-	-	-
Canada	(C$)	2.0449	-0.0047	440 - 457	2.0489	2.0419	2.0442	0.4	2.0408	0.9	2.0325	0.6	85.0
Mexico	(New Peso)	11.2727	-0.0545	633 - 821	11.3174	11.2533	-	-	-	-	-	-	-
USA	($)	1.5078	-0.0035	074 - 081	1.5110	1.5064	1.5072	0.5	1.5059	0.5	1.4998	0.5	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.9085	-0.0037	074 - 095	1.9095	1.9026	1.9111	-1.6	1.9161	-1.6	1.9414	-1.7	93.5
Hong Kong	(HK$)	11.6620	-0.0249	585 - 655	11.6841	11.6509	11.6639	0.8	11.6423	0.7	11.8226	0.5	-
India	(Rs)	51.5199	-0.0911	325 - 072	51.6670	51.5410	-	-	-	-	-	-	-
Israel	(Shk)	4.7781	+0.0162	745 - 816	4.7816	4.7342	-	-	-	-	-	-	-
Japan	(Y)	163.400	-0.838	242 - 458	164.450	163.320	162.678	5.3	161.188	5.4	154.773	5.3	135.0
Malaysia	(M$)	3.7867	-0.0176	851 - 883	3.8062	3.7805	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2227	-0.0102	210 - 243	2.2315	2.2210	2.2277	-2.7	2.2372	-2.6	2.271	-2.2	108.8
Philippines	(Peso)	39.5031	-0.0703	185 - 876	39.5876	39.5127	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6543	-0.0137	528 - 558	5.6669	5.6499	-	-	-	-	-	-	-
Singapore	(S$)	2.1290	-0.0035	277 - 302	2.1365	2.1277	-	-	-	-	-	-	-
South Africa	(R)	6.3552	+0.0946	462 - 642	6.3654	6.2846	-	-	-	-	-	-	-
South Korea	(Won)	1180.12	-2.85	969 - 054	1182.86	1179.08	-	-	-	-	-	-	-
Taiwan	(T$)	40.9483	-0.1152	365 - 600	41.0357	40.9123	-	-	-	-	-	-	-
Thailand	(Bt)	38.1763	-0.083	523 - 002	38.2590	38.1523	-	-	-	-	-	-	-

† Rates for Apr 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. Exchange rates for Thursday April 4th are available on Cityline 0891 437001

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6208	+0.0482	176 - 240	10.6350	10.6070	10.6035	2.0	10.5673	2.0	10.4058	2.0	105.5
Belgium	(BFr)	31.0225	+0.1525	150 - 300	31.0500	30.8660	30.9695	2.1	30.863	2.1	30.3825	2.1	107.3
Denmark	(DKr)	5.8306	+0.027	290 - 320	5.8378	5.8193	5.8255	1.0	5.8155	1.0	5.838	-0.1	107.6
Finland	(FM)	4.7346	+0.0298	308 - 383	4.7482	4.7000	4.7281	1.6	4.7161	1.6	4.6706	1.4	81.9
France	(FFr)	5.1250	+0.0205	245 - 255	5.1339	5.1110	5.1189	1.4	5.1091	1.2	5.067	1.1	109.3
Germany	(DM)	1.5104	+0.0067	100 - 107	1.5130	1.5075	1.5077	2.1	1.5026	2.1	1.4787	2.1	108.8
Greece	(Dr)	242.850	+0.56	700 - 000	243.180	242.460	244.525	-8.3	247.875	-8.3	261.85	-7.8	66.4
Ireland	(I£)	1.5565	-0.003	555 - 575	1.5590	1.5545	1.557	-0.3	1.5573	-0.2	1.5467	0.6	-
Italy	(L)	1571.98	-1.05	167 - 229	1573.40	1567.75	1578.03	-4.6	1589.58	-4.5	1630.48	-3.7	73.9
Luxembourg	(LFr)	31.0225	+0.1525	150 - 300	31.0500	30.8660	30.9695	2.1	30.863	2.1	30.3825	2.1	107.3
Netherlands	(Fl)	1.6885	+0.0088	880 - 890	1.6908	1.6854	1.6854	2.2	1.6791	2.2	1.652	2.2	107.4
Norway	(NKr)	6.5171	+0.0245	133 - 208	6.5523	6.5045	6.5141	0.5	6.5088	0.5	6.4721	0.7	98.0
Portugal	(Es)	154.895	+0.38	850 - 940	155.150	154.780	155.21	-2.4	155.8	-2.3	157.945	-2.0	95.8
Spain	(Pta)	126.020	+0.405	970 - 070	126.400	125.880	126.27	-2.4	126.7	-2.2	128.24	-1.8	81.7
Sweden	(SKr)	6.7465	+0.0335	415 - 515	6.7581	6.7020	6.7576	-2.0	6.775	-1.7	6.817	-1.0	112.4
Switzerland	(SFr)	1.2303	+0.0072	298 - 308	1.2332	1.2285	1.2267	3.6	1.2195	3.5	1.1875	3.5	112.4
UK	(£)	1.5078	-0.0035	074 - 081	1.5110	1.5064	1.5072	0.5	1.5059	0.5	1.4998	0.5	83.2
Ecu	-	1.2394	-0.0042	389 - 399	1.2413	1.2384	1.2402	-0.7	1.2418	-0.8	1.2507	-0.9	-
SDR†	-	0.68070	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-	987 - 992	1.0004	0.9987	-	-	-	-	-	-	-
Brazil	(R$)	0.9898	-0.0003	897 - 899	0.9899	0.9895	-	-	-	-	-	-	-
Canada	(C$)	1.3563	+0.0001	560 - 565	1.3565	1.3552	1.3561	0.1	1.3564	0.0	1.3592	-0.2	84.2
Mexico	(New Peso)	7.4765	-0.0185	720 - 810	7.4810	7.4720	7.4787	-0.4	7.4819	-0.3	7.4988	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2657	+0.0005	653 - 661	1.2661	1.2627	1.2677	-1.9	1.2712	-1.7	1.2899	-1.9	94.7
Hong Kong	(HK$)	7.7347	+0.0017	342 - 352	7.7352	7.7331	7.7354	-0.1	7.7372	-0.1	7.7642	-0.4	-
India	(Rs)	34.1700	+0.02	200 - 200	34.2250	34.1200	34.32	-5.3	34.625	-5.3	36.095	-5.6	-
Israel	(Shk)	3.1690	+0.0181	674 - 706	3.1706	3.1375	-	-	-	-	-	-	-
Japan	(Y)	108.375	-0.3	360 - 390	108.870	108.280	107.93	4.9	107.03	5.0	103.29	4.7	134.8
Malaysia	(M$)	2.5115	-0.0057	110 - 120	2.5193	2.5075	2.5124	-0.4	2.5185	-1.1	2.542	-1.2	-
New Zealand	(NZ$)	1.4741	-0.0032	734 - 749	1.4762	1.4734	1.4772	-2.5	1.483	-2.4	1.5076	-2.3	-
Philippines	(Peso)	26.2000	+0.015	500 - 500	26.2500	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0002	500 - 503	3.7508	3.7500	3.7506	-0.1	3.7513	-0.1	3.7547	-0.1	-
Singapore	(S$)	1.4120	+0.001	115 - 125	1.4175	1.4115	1.4084	3.0	1.4024	2.7	1.377	2.5	-
South Africa	(R)	4.2150	+0.0725	100 - 200	4.2200	4.1675	4.2437	-8.2	4.2953	-7.6	4.5185	-7.2	-
South Korea	(Won)	782.700	-0.05	600 - 800	783.000	781.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.1585	-0.0125	570 - 600	27.1620	27.1570	27.1785	-0.9	27.2185	-0.9	-	-	-
Thailand	(Bt)	25.3200	+0.0045	100 - 300	25.3350	25.3100	25.4187	-4.7	25.6225	-4.8	26.505	-4.7	-

† SDR rate per $ for Apr 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 12: Base average 1990=100. Exchange rates for Thursday April 4th are available on Cityline 0891 437001

WORLD INTEREST RATES

MONEY RATES

April 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
week ago	4	[illegible]	[illegible]	[illegible]	[illegible]	3.80	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.00
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	3	[illegible]	3	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.15	5.23	5.53	-	-	-
week ago	-	5.13	5.11	5.18	5.41	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	3 - [illegible]	3 - [illegible]	3 - [illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.52	4.869	2.070	5067	5.444	21.01	499.3	406.2	21.74	3.966	2.138	4.372	3.224	349.4	2.600
Denmark	(DKr)	53.20	10	8.790	2.590	1.101	2696	2.896	11.18	265.6	216.1	11.57	2.110	1.138	2.326	1.715	185.9	1.383
France	(FFr)	60.53	11.38	10	2.947	1.253	3067	3.295	12.72	302.2	245.9	13.16	2.401	1.294	2.647	1.952	211.5	1.574
Germany	(DM)	20.54	3.861	3.394	1	0.425	1041	1.118	4.315	102.5	83.44	4.466	0.815	0.439	0.898	0.662	71.76	0.534
Ireland	(I£)	48.32	9.082	7.982	2.352	1	2448	2.630	10.15	241.2	196.3	10.51	1.916	1.033	2.113	1.558	168.8	1.256
Italy	(L)	1.973	0.371	0.326	0.096	0.041	100.	0.107	0.415	9.852	8.017	0.429	0.078	0.042	0.086	0.064	6.895	0.051
Netherlands	(Fl)	18.37	3.453	3.035	0.894	0.380	930.9	1	3.859	91.71	74.63	3.995	0.729	0.393	0.803	0.592	64.18	0.478
Norway	(NKr)	47.60	8.947	7.864	2.317	0.985	2412	2.591	10	237.6	193.4	10.35	1.888	1.018	2.081	1.535	166.3	1.238
Portugal	(Es)	20.03	3.765	3.309	0.975	0.415	1015	1.090	4.208	100.	81.37	4.355	0.794	0.428	0.876	0.646	69.98	0.521
Spain	(Pta)	24.62	4.627	4.067	1.198	0.509	1247	1.340	5.172	122.9	100.	5.353	0.976	0.526	1.076	0.794	86.00	0.640
Sweden	(SKr)	45.99	8.644	7.598	2.239	0.952	2330	2.503	9.662	229.6	186.8	10	1.824	0.983	2.011	1.483	160.7	1.196
Switzerland	(SFr)	25.21	4.739	4.165	1.227	0.522	1278	1.373	5.297	125.9	102.4	5.482	1	0.539	1.102	0.813	88.09	0.656
UK	(£)	46.77	8.791	7.727	2.277	0.968	2370	2.546	9.826	233.5	190.0	10.17	1.855	1	2.045	1.508	163.4	1.216
Canada	(C$)	22.87	4.299	3.778	1.113	0.473	1159	1.245	4.805	114.2	92.91	4.973	0.907	0.489	1	0.737	79.90	0.595
US	($)	31.01	5.830	5.124	1.510	0.642	1572	1.688	6.516	154.8	126.0	6.744	1.230	0.663	1.356	1	108.4	0.806
Japan	(Y)	28.62	5.380	4.729	1.394	0.592	1450	1.558	6.013	142.9	116.3	6.224	1.135	0.612	1.252	0.923	100.	0.744
Ecu		38.46	7.229	6.354	1.873	0.796	1949	2.094	8.081	192.0	156.3	8.363	1.525	0.822	1.682	1.240	134.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6652	0.6653	-0.0021	0.6653	0.6641	16,512	75,498
Sep	0.6676	0.6681	-0.0031	0.6688	0.6676	67	2,211
Dec	0.6730	0.6750	-	-	0.6750	3	195

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9275	0.9310	+0.0016	0.9310	0.9295	11,848	79,870
Sep	0.9415	0.9420	+0.0013	0.9420	0.9415	112	2,143
Dec	-	0.9520	-	0.9520	0.9500	3	1,088

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8180	0.8187	-0.0013	0.8187	0.8167	19,310	40,237
Sep	0.8251	0.8258	-0.0016	0.8258	0.8251	47	1,394
Dec	-	0.8325	-0.0024	0.8325	0.8325	1	850

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5098	1.5076	-0.0060	1.5078	1.5064	7,205	50,771
Sep	1.5050	1.5050	-0.0072	1.5050	1.5050	11	69
Dec	-	1.5100	-	1.5100	1.5080	3	32

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	•Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
•Henry Ansbacher	6.00	•Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	•Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
•Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	•Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£34½	£29½	1,987	2.9	♦
Barlow	♣	£7⅛	−⅛	£10⅞	£6⅞	1,518	1.8	♦
Energy Africa		158½	+¼	174	152½	142.7	–	–
Gold Flds Prop R.		157xd	+17	170	135	16.1	8.0	11.1
NK Props.		80	—	96	80	3.22	12.6	–
SASOL	♥	642	+31	648	475	3,758	1.9	–
SA Brews		£19⅝	+⅛	£28½	£16⅞	5,872	1.8	30.2
Standard Bank	□	£27⅞	−⅛	£32⅞	£20⅞	3,335	1.5	21.6
Tiger Oats		880	−20	1270	850	1,339	1.9	♦
Tongaat-Hulett	†	829	—	1247	685	878.4	1.9	19.9

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend,
xc ex scrip issue,
xr ex rights,
xa ex all,
xd ex capital distribution.

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Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Orbis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mgrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Cautious Inv Mngt

Consulta (Channel Islands) Limited

Guernsey Capital Management Limited

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Christchurch Investments Plc

Dunedin Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc

The Fiduciary Trust Global Fund

Global Asset Management

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Morgan Grenfell Investment Funds Ltd

Pacific International Fund Plc

Swiss Life Investment Fund - Proteus

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund Plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Bank of Ireland Asset Management

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund

CFP International Arbitrage Fund

Calidus Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hanseo Ireland Ltd

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

Fresh Korea Fund

Gartmore Korea Fund Plc

Global Resources Stock Fund

Korea CS Fund Plc

Korea Capital Growth Fund

Korea Golden Dynasty Fund Plc

Korea Growth Fund Plc

Korea Open Fund

Korea Strategic Growth Fund

Korea Sunrise Fund

Kwon Korea Fund Plc

Morgan Grenfell Prelude Fd Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paribas Asset Management (Ireland) Ltd

Power Management (Ireland) Ltd

Schroder Korea Fund

Taenam Korea Fund

Yield Korea Fund

Yield Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Allied Dunbar Intl Fund Mgrs Ltd

Bank of Bermuda Group

Citizens Investment Trust Mngt Company

Mercury Fund Managers Intl Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Quilter Intl Mngt (IoM) Ltd

Sybrets International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barings International Funds

Chase Manhattan Fund Mgrs

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers Intl Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Morgan Fund Mgrs (CI) Ltd

Save & Prosper International

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Intl Funds

Chase Manhattan Fund Mgrs

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Guinness Flight Fd Mgrs (CI) Ltd

Henderson Fund Mgrs (CI) Ltd

INVESCO International Limited

INVESCO International Limited - Contd.

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lowndes Financial Services Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Royal Bk of Scotland Fd Mgrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Fund Managers (CI) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Banque Indosuez Luxembourg

Barclays Inv Funds (Luxembourg)

Citiportfolios

Dresdner Kleinwort Benson Investment

Fidelity Funds

Fleming Flagship Fund

Foreign & Colonial Emerging Markets Ltd

Foreign & Colonial Portfolios Fd Sicav

GT Asset Management

Lombard Odier

Merrill Lynch

Morgan Stanley SICAV

Old Mutual Intl (Lux)

Pictet Global Fund

Royal Bank of Scotland

Sarasin Investment Fund

Schroder International Selection Fd

Scottish Equitable Intl Fund SICAV

Sun Life Global Management Ltd

Swiss Life

Templeton Global Strategy Funds

Thornton Investment Management

Threadneedle - Threadneedle Global Assets

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund

Alliance Capital

Americas Fund

The Archipelago Fund Sicav

Asian Development Equity Fund

Atlantis Sicav

Banque Scandinave En Suisse

Banque Ferrier Lullin (Lux) SA

CS Fund International

Chinese Investment Funds

Credit Investment Funds

Daiwa Investment Management

Gartmore Luxembourg SA

Korea Emerging Growth Fund

Paribas Investment Management

S-E-Banken Luxembourg SA

S-E-Banken Luxembourg SA - Contd.

صكتا من الاصل

صكتا من الاجل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credit Investment Funds - Contd.

Pictet Group

	Selling Price	Buying Price	+ or -	Yield Gross
Asia Growth	$104.80		—	—
[illegible]	£97.49		—	—
[illegible]	$198.24		—	—
[illegible]	£100.20		—	—

RBS Global Funds

River & Mercantile Latin American SICAV

	Selling Price	Buying Price	+ or -	Yield Gross
Latin American NAV	$9.75		+0.13	—

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

B.d.E. Edmond de Rothschild (Luxembourg)

CMI Insurance Co Ltd - Contd.

CMI Ins Co Ltd/Clerical Med Gen Life Assce

Royal Life International - Contd.

Royal Skandia Life Assurance Ltd (u)

Chameleon Funds Limited

Chaucer Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

Citibank Global Asset Management

Citizens Investment

City & International

Clariden Bank

Global Asset Management - Contd.

Regent Kingpin Capital Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 and Mid 250 hit new closing highs

By Steve Thompson, UK Stock Market Editor

The "feel-good factor" was again much in evidence in London's equity market yesterday, with the market's largest indices, the FT-SE 100 and the FT-SE Mid Cap 250, both ending at all-time closing highs.

As with recent sessions, the market's main thrust came from good news on the UK economy, as well as the continuing expectation of more big takeover bids in the pipeline.

On the international front, global markets became increasingly bullish about the prospects of another interest rate reduction in Germany. Across the Atlantic, Wall Street opened in good shape, building on Friday's performance which saw the Dow Jones Industrial Average close 45 points up on the session.

There was an element of disappointment around the market's trading desks that the FT-SE 100 did not manage to penetrate its previous all-time intra-day high, 3,792.5, which it reached on March 5. This was attributed, dealers said, to worries about the government's position, with its overall House of Commons majority cut to one last week in the wake of the Staffordshire South East by-election. Over the weekend, there were suggestions in the press of further defections from the Conservative party.

But the general feeling was that the Footsie would get through that level if Wall Street maintained its current performance. "If we get over that hurdle, then we will push on again, probably well into the 3,800s in quick time," said one senior trader.

"The institutions are scared of being short of the market at the moment; if they miss the boat now it might race away from them," the dealer continued.

The FT-SE 100 index settled a net 23.7 firmer at 3,790.5, eclipsing its previous closing record, while the FT-SE Mid 250 index posted its fourth consecutive all-time high, finishing 8.7 to the good at 4,416.7.

Turnover in the market at the 6pm reading came out at a healthy 741.3m shares, well above usual levels of activity for a Monday, although dealers were at pains to point out that some 67 per cent of the day's business was in non-FT-SE 100 stocks.

The trading session began convincingly, with the Footsie getting off to a bright start, celebrating Wall Street's jump on Friday and more good news on the domestic inflation front with producer input and output prices showing only minor increases in March.

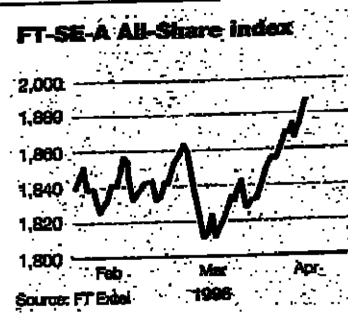
Dealers were reluctant to get too carried away with those numbers, preferring to wait until details of unemployment, earnings and unit wage costs figure were published tomorrow. They also looked for March inflation numbers, due out on Thursday.

But the bid hopes and evidence of more trading programmes, all weighted on the buy side, drove share prices higher for the rest of the session.

German interest rate cut hopes propelled RMC and Redland sharply higher, with the former additionally lifted by expectations of a healthy profits increase when it releases preliminary figures on Thursday.

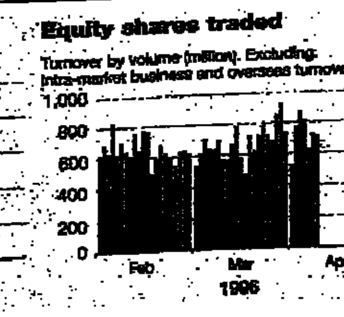
Hotels shares were given a boost by an upbeat trading statement from Stakis.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: FT Extel

Indices and ratios

FT-SE 100	3790.5	+23.7	FT Ordinary index	2824.1	+19.7
FT-SE Mid 250	4416.7	+8.7	FT-SE-A Non Fins p/e	17.4	17.37
FT-SE-A 350	1908.0	+10.1	FT-SE100 Fut Jun	3796.00	+28.00
FT-SE-A All-Share	1885.31	+8.81	10 yr Gilt yield	8.09	8.06
FT-SE-A All-Share yield	3.73	3.75	Long gilt/equity yld ratio:	2.24	2.23

Best performing sectors

1 Alcoholic Beverages +2.0
2 Pharmaceuticals +1.7
3 Consumer Goods +1.3
4 Banks: Retail +1.1
5 Diversified Industrials +0.9

Worst performing sectors

1 Electricity -0.5
2 Telecommunications -0.3
3 Utilities -0.2
4 Health Care -0.2
5 Water -0.2

Airways under pressure

British Airways nosedived against the market trend, as strong traffic numbers from BAA prompted an outbreak of worries about market share. The stock finished 6 cheaper at 529p.

The airports group turned in 11 per cent traffic growth for March, far faster than BA's 6.3 per cent, and as a result some commentators reasoned that the UK carrier was not keeping pace with the growth of airline volume as a whole.

BAA gained 2 at 547p amid suggestions that some investors had switched out of BA. But not all brokers took a gloomy line. One analyst said the traffic flows suggested that BA was shifting its priorities from volume to margins.

News of sharply lower Dover traffic in March depressed P&O. Dover passenger flows came in 18 per cent down in March and cars saw a full 21 per cent reduction. P&O dipped 2 to 516p.

RMC advances

A shortage of stock continued to bolster building materials leader RMC. The shares squeezed up to the top end of the Footsie rankings for the second session running, adding 24 at 1093p for a 12 per cent advance since the start of April.

Notes of caution were sounded yesterday, however. The group's results are due on Thursday and there was speculation that brokers at the top end of the £320m to £335m forecast range may be heading for some minor disappointments.

Germany, where a bleak construction outlook is one reason driving hopes for an imminent Bundesbank interest rate cut, accounts for half of RMC's earnings.

ERF moves

Takeover talk helped commercial vehicle maker ERF climb 22 to 207p for a two-day advance of 16 per cent.

Earlier this month Western Star Trucks, of Canada, announced the purchase of a 4.2 per cent stake in the company. Big shareholder Scottish Amicable Investment Managers has raised its stake to 12.1 per cent.

Energy exploration group Hardy Oil & Gas gushed up 12 to a new high of 252p on news of disposals totalling £118m. This represented more than 40 per cent of Hardy's market capitalisation, and there was some speculation that the group could soon be on the takeover trail.

However, the sector stayed in low key mood. Clyde Petroleum, long seen as a potential bid target, closed unchanged at 63p. Hardy has been bolstered lately by aggressive new management. But most analysts saw the disposals as a balance sheet refinancing move ahead of a hefty development spend over the next three years.

Heavy trading in Sears, the diversified retailer, was attributed to Dunedin and Edinburgh Fund Managers, which recently merged, placing about 21m shares. Analysts suggested that the merged fund managers may be consolidating their portfolios. Sears relinquished a penny to 97p on a turnover of 45m shares.

In the retail sector, Alexon, the women's clothes retailer, moved ahead 7 to 110p after positive press comment over the weekend.

Boots put on 4 at 619p on the back of a note from NatWest Securities changing its "hold" recommendation to "buy", with analysts also speculating that the company may be planning a share buyback.

In the drinks sector, Guinness, Allied Domecq and Grand Metropolitan benefited from a note from NatWest Securities which recommended that investors add to their holdings of the three companies – in spite of the note saying that already announced price increases for spirits would take until the autumn to become evident in the figures. GrandMet, said the analysts, was the best bet in the sector in the short term. Guinness rose 3 to 464p, GrandMet 17 to 446p and Allied 6 to 494p.

In hotels and leisure a number of stocks were given a fillip by Stakis, which moved forward 1½ to 106p after announcing higher than expected room occupancy in a generally positive trading update.

There were more than 10m shares traded in Queens Moat Houses, the hotels group, which rose 4¼ to 29¾p. Analysts rejected speculation that Incentive Investment, a private Swiss management group which holds 11 per cent of the company's equity, was buying more stock. But one analyst said Queens Moat had a "deficit on assets and so buying must be speculative". The good trading report from Stakis, he said, could also be filtering through to Queens Moat.

Among financial stocks, the market cheered the news that Bank of Ireland is to take over the Bristol & West Building Society in a £600m deal. The shares jumped 19 to 458p, with BZW said to have recommended the stock. There was strong support for Abbey National ahead of tomorrow's trading update; Abbey shares moved forward 7 to 577p.

Commercial Union firmed 3 to 588p ahead of today's annual meeting.

Sun Alliance hardened 1½ to 364p, in trade of 2.3m, after SBC Warburg upgraded its recommendation on the stock from "hold" to "add".

Chiroscience rose 12 to 246p, with Mercury Asset Management said to have shown a keen interest in the stock during yesterday's session.

SmithKline Beecham was by far the day's best performer among FT-SE 100 constituents on the first day of dealings in the group's new shares. The stock jumped 27¼ to an adjusted 656p. The change of share structure brought to an end trading in the A and B shares to leave a single class of stock. Active trading brought volume of 5.8m by the close.

British Biotech shrugged off Friday's retreat that followed a sizeable placing and the shares ended 120 better at 3485p, making it the best performer in the FT-SE Mid 250.

GEN firmed a penny to 980p in spite of a stance shift from buy to hold at HSBC James Capel. With the shares pressing up against its £10 target price, the broker has opted to shade down its value appraisal.

Smiths Industries shed 5½ to 693p ahead of tomorrow's interim results.

Yorkshire Water stood out among water stocks, after SBC Warburg issued a strong buy note on the stock. The shares closed 4 ahead at 686p.

Analysts at the broker said: "Despite strong performance in Q1 (first quarter) of 1996, the stock's rating still fails to reflect the underlying profitability and balance sheet strength. New management and bid speculation are important catalysts to fuller value being realised by the end of 1996, via the first stage of financial restructuring."

A busy session in National Grid brought volume of 8.2m as the shares moved against the strong market trend to close 2 lower at 194p.

SBC Warburg was active in the stock after it advised clients to "reduce" holdings, saying NGG's prospects "stand or fall at the transmission review in Q3. The current valuation implies Grid wins only a modest tightening in the price control."

MARKET REPORTERS: Jeffrey Brown, Lisa Wood, Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9	Yr ago	*High	*Low
Ordinary Share	2824.1	2804.4	2789.7	2802.7	2795.1	2446.7	2824.1	2695.7
Ord. div. yield	4.00	3.86	3.88	3.86	3.87	4.22	4.06	3.76
P/E ratio net	16.25	16.85	16.77	16.85	16.79	16.97	17.25	15.98
P/E ratio nil	16.01	16.80	16.52	16.61	16.54	16.80	17.08	15.78

Ordinary Share index since compilation: high 2824.1 15/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2809.0	2808.5	2812.3	2814.3	2819.1	2818.7	2820.3	2816.3	2821.2	2824.1	2808.3

	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9	Yr ago
SEAQ bargains	35,236	33,395	31,016	34,222	39,767	20,774
Equity turnover (£m)†	-	2579.0	1763.8	2117.2	1574.5	1182.0
Equity bargains†	-	38,466	37,850	41,656	48,332	30,552
Shares traded (mil)†	-	871.8	712.9	735.4	612.3	459.4

†Excluding intra-market business and overseas turnover.

	Apr 15	Apr 12	Apr 11	Apr 10	Apr 9	Yr ago	*High	*Low
FT-SE AIM	1005.50	997.50	988.10	988.60	984.60	-	1054.82	965.68

*For 1996

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,033	Total Highs	234	Total contracts	30,642
Total Falls	317	Total Lows	8	Calls	18,844
Same	1,417			Puts	11,798

Apr. 15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3782.0	3796.0	+28.0	3802.0	3776.0	9302	59895
Sep		3808.0	+28.0			0	2435
Dec		3835.0	+30.0			0	31

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4430.0	+7.0			0	3584

■ FT-SE 100 INDEX OPTION (LIFFE) (*3789) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Apr	[illegible]															
May	[illegible]															
Jun	[illegible]															
Jul	[illegible]															
Dec†	[illegible]															

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625	3675	3725	3775	3825	3875	3925	3975
Apr	[illegible]							
May	[illegible]							
Jun	[illegible]							
Sep	[illegible]							
Dec†	[illegible]							

* Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 12	% chg on day	Apr 11	Apr ago	Year yield %	Gross div	P/E ratio	52 week High	52 week Low
Gold Mines Index (36)	2388.38	-1.2	2385.38	1948.81	1.38	-	2538.72	1722.63	
■ Regional indices									
Africa (13)	3075.95	+1.5	3036.51	2667.25	2.64	35.73	3553.66	2272.74	
Australasia (5)	2714.05	+0.3	2692.67	2430.14	2.38	29.20	2927.34	2098.51	
North America (12)	2077.73	-2.5	2131.07	1662.82	0.65	67.88	2185.16	1488.94	

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FT-SE Actuaries Share Indices — The UK Series

	Apr 15	Day's chge%	Apr 12	Apr 11	Apr 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3790.5	+0.6	3766.8	3744.2	3767.4	3208.6	3.91	2.13	15.02	62.20	1540.45
FT-SE Mid 250	4416.7	+0.2	4408.0	4390.6	4387.1	3509.8	3.35	1.71	21.79	65.99	1769.50
FT-SE Mid 250 ex Inv Trusts	4447.6	+0.1	4441.6	4423.6	4419.6	3509.3	3.47	1.75	20.55	70.01	1778.50
FT-SE-A 350	1908.0	+0.5	1897.9	1887.4	1895.1	1592.4	3.79	2.04	16.14	30.70	1585.16
FT-SE-A 350 Higher Yield	1945.4	+0.6	1934.7	1922.3	1934.5	1604.3	5.02	1.90	13.10	39.09	1280.93
FT-SE-A 350 Lower Yield	1978.2	+0.5	1968.6	1959.9	1955.2	1580.5	2.66	2.29	20.52	23.56	1382.84
FT-SE SmallCap	2130.37	+0.3	2123.95	2117.85	2114.94	1743.34	3.03	1.78	23.21	18.75	1737.95
FT-SE SmallCap ex Inv Trusts	2118.78	+0.3	2110.75	2104.26	2100.20	1719.22	3.24	1.86	20.77	19.07	1736.58
FT-SE-A ALL-SHARE	1885.31	+0.5	1876.50	1866.45	1874.25	1571.44	3.73	2.03	16.51	29.28	1580.59

■ FT-SE Actuaries All-Share

	Apr 15	Day's chge%	Apr 12	Apr 11	Apr 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	[illegible]										
12 Extractive Industries(6)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(277)	[illegible]										
21 Building & Construction(34)	[illegible]										
22 Building Matls & Merchs(29)	[illegible]										
23 Chemicals(25)	[illegible]										
24 Diversified Industrials(18)	[illegible]										
25 Electronic & Elect Equip(38)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(26)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(86)	[illegible]										
31 Alcoholic Beverages(9)	[illegible]										
32 Spirits, Wines & Ciders(10)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(15)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(253)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(29)	[illegible]										
43 Media(46)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(43)	[illegible]										
47 Breweries, Pubs & Rest (24)	[illegible]										
48 Support Services(48)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(33)	[illegible]										
62 Electricity(12)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(7)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(667)	[illegible]										
70 FINANCIALS(105)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(23)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(21)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(128)	[illegible]										
89 FT-SE-A ALL-SHARE(900)	1885.31	+0.5	1876.50	1866.45	1874.25	1571.44	3.73	2.03	16.51	29.28	1580.59
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3776.0	3776.1	3781.1	3785.2	3790.1	3789.9	3789.8	3784.7	3790.0	3790.6	3774.9
FT-SE Mid 250	4410.6	4411.2	4414.3	4418.7	4418.7	4418.2	4418.3	4417.4	4416.2	4418.8	4410.6
FT-SE-A 350	1901.3	1901.5	1904.1	1905.9	1908.0	1907.5	1907.9	1905.8	1907.4	1908.2	1901.3

Time of FT-SE 100 Day's high: 11:52 AM Day's low: 8:33 AM. FT-SE 100 1996 High: 3790.5 (15/04/96) Low: 3554.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1192.0	1192.1	1193.3	1193.5	1194.8	1195.0	1195.0	1194.9	1196.0	1196.9	1195.1	+1.8
Pharmaceuticals	4744.1	4738.1	4753.0	4762.8	4776.3	4771.4	4771.5	4776.9	4799.2	4801.7	4692.0	+109.7
Water	2182.7	2182.1	2183.3	2181.7	2183.3	2182.3	2182.9	2181.8	2173.4	2174.8	2178.6	-4.8
Banks, Retail	4022.7	4026.7	4034.6	4045.4	4046.6	4046.0	4046.0	4035.7	4041.5	4042.0	3997.6	+44.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETIONS: SmithKline Beecham Units and 'A' Ord (37) & (FT-SE 100). INSERT: SmithKline Beecham Ord (37) & (FT-SE 100).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded down. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 15 / Sch)

BELGIUM/LUXEMBOURG (Apr 15 / Frs)

CZECH REP (Apr 15 / Koruna)

DENMARK (Apr 15 / Kr)

FINLAND (Apr 15 / Mka)

FRANCE (Apr 15 / Frs)

GERMANY (Apr 15 / Dm)

GREECE (Apr 11 / Drachma)

ITALY (Apr 15 / Lira)

NETHERLANDS (Apr 15 / Fls)

NORWAY (Apr 15 / Kroner)

POLAND (Apr 15 / Zloty)

PORTUGAL (Apr 15 / Escudo)

SPAIN (Apr 15 / Pts)

SWEDEN (Apr 15 / Kronor)

SWITZERLAND (Apr 12 / Frs)

TURKEY (Apr 15 / Tk Lira)

PACIFIC

JAPAN (Apr 15 / Yen)

AUSTRALIA (Apr 15 / Aus$)

HONG KONG (Apr 15 / H.K.$)

INDONESIA (Apr 15 / Rupiah)

MALAYSIA (Apr 15 / MYR)

NEW ZEALAND (Apr 15 / NZ $)

SINGAPORE (Apr 15 / S$)

SOUTH KOREA (Apr 15 / Won)

TAIWAN (Apr 15 / TW $)

THAILAND (Apr 11 / Baht)

AFRICA

SOUTH AFRICA (Apr 15 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 15 / Can $) 4 pm close

MONTREAL (Apr 15 / Can $) 4 pm close

INDICES

US INDICES

Dow Jones	Apr 12	Apr 11	Apr 10	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5532.59	5487.07	5485.98	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	102.20	101.98	102.40	108.09 (14/2)	101.98 (11/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2111.17	2113.12	2145.77	2215.21 (19/3)	1882.71 (18/1)	2215.21 (19/3/96)	12.32 (8/7/32)
Utilities	207.59	206.40	206.89	234.80 (12/2)	206.40 (11/4)	258.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5577.38 (5540.17) Low 5445.16 (5382.68) (Theoretical) Day's high 5536.20 (5512.00) Low 5480.20 (5415.53) (Actual)

Standard and Poors	Apr 12	Apr 11	Apr 10	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	636.71	631.18	633.50	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	754.95	750.51	752.22	776.23 (22/2)	702.07 (15/1)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	64.68	63.13	63.70	68.58 (5/3)	58.67 (10/1)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	342.41	339.38	340.93	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	572.26	570.19	569.96	577.10 (4/4)	529.05 (18/1)	577.10 (4/4/96)	29.31 (9/12/72)
NASDAQ Comp	1100.94	1097.14	1105.28	1118.21 (4/4)	988.57 (15/1)	1118.21 (4/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 12	Apr 5	Mar 29	Year ago
Dow Jones Ind Div. Yield	2.17	2.11	2.15	2.60
	Apr 10	Apr 3	Mar 27	Year ago
S & P Ind. Div. yield	1.92	1.86	1.87	2.26
S & P Ind. P/E ratio	20.83	21.43	21.21	18.11

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Bay Network	11,092,900	27	-3⅛
IBM	7,763,500	111½	+5⅛
Telefonos	7,756,300	34⅝	+1⅞
Wal-Mart	4,642,000	22⅞	+¼
Home Depot	3,986,500	44⅞	+1⅛
Trump Hotels	3,881,100	31¼	-
Federal Natl	3,778,500	30⅝	-1¼
AT & T	3,463,900	62⅝	+1
[illegible] Corp	2,842,100	14⅞	-⅛
Gap Inc	2,839,800	28	1

■ TRADING ACTIVITY

● Volume (million)

	Apr 12	Apr 11	Apr 10
New York SE	414.239	523.721	477.971
Amex	208.713	25.719	21.841
NASDAQ	495.974	548.585	589.543
NYSE			
Issues Traded	3,112	3,131	3,122
Rises	1,561	858	839
Falls	825	1,527	1,586
Unchanged	726	746	697
New Highs	65	59	101
New Lows	13	40	29

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	643.00	641.45	+0.85	643.30	641.30	74,640	175,822
Sep	643.50	646.20	-0.80	648.50	646.90	315	5,341

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	21600.0	21780.0	-40.0	21980.0	21680.0	13,144	258,045
Sep	21620.0	21800.0	-60.0	21820.0	21820.0	1	13,011

Open interest figures for previous day

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... highs and lows are the averages of the highest and lowest prices reached during the day by each ... supplied by Telekurs represent the highest and lowest values that the index has reached ... are previous day's. ¶ Subject to official recalculation.

■ FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Monday, April 15, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	15.6m	343	-1
Nippon Stl Corp	11.1m	385	+3
Kureha Chem Ind	10.2m	650	+72
YEC Corp	10.0m	[illegible]	+45
Sumitomo Mtl Ind	9.5m	345	+4
Takasaki Paper	9.4m	490	+80
UBE Industries	8.8m	445	+5
Mitsubishi Heavy	7.0m	949	-8
Mitsui E & S Bld	4.9m	353	+2
Toshiba Corp	4.7m	823	-3

4 pm close April 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

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NYSE C

AMEX COM

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4 pm close April 15

NYSE COMPOSITE PRICES

Continued from previous page

- V -

- W -

- X - Y - Z -

- T -

- U -

NASDAQ NATIONAL MARKET

4 pm close April 15

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close April 15

AMERICA

Bank earnings reports help Dow ahead

Wall Street

A spate of strong earnings reports from interest rate-sensitive commercial and investment banks helped US share prices move higher in midsession trading yesterday, *writes Lisa Bransten in New York.*

At 1pm the Dow Jones Industrial Average was up 29.82 at 5,562.21, while the Standard & Poor's 500 had added 2.71 at 639.42 and the American Stock Exchange composite had risen 2.38 to 574.84. Volume on the New York SE came to 195m shares.

Merrill Lynch and PaineWebber, the US broking houses and investment banks, both reported first-quarter earnings above analysts' forecasts, and Smith Barney, the investment banking unit of Travelers Group, also posted a strong performance.

In midsession trading, Merrill shares were up $3¼ at $58⅛, PaineWebber was $⅞ stronger at $29⅞ and Travelers added $1 at $62.

NationsBank and First Chicago NBD also reported stronger than expected earnings: NationsBank climbed $3¼ to $79⅝ and First Chicago added $1⅛ at $42⅞.

The Nasdaq composite moved ahead 7.94 to 1,108.68 and the Pacific Stock Exchange technology index added 1 per cent amid optimism about earnings reports due out after the market closed.

Intel, the biggest company on the Nasdaq, added $1¹¹⁄₁₆ at $60¹⁄₁₆. Sun Microsystems was $1 stronger at $49¼ and Wonderware rose $1¼ to $22⅞. All three companies were expected to report quarterly earnings after the market closed.

Kellogg fell $1¾ or 2 per cent to $71¼ after Post Cereal, a division of Philip Morris's Kraft unit, announced it planned to lower prices on several of its cereal brands, prompting fears that a cereal price war was coming. Philip Morris added $⅞ at $89⅝.

Merger activity in the utilities sector led to movement in several companies. Kansas City Power & Light jumped $1⅛ or 5 per cent to $25⅞ on news that Western Resources had made a hostile bid to take over KPL for more than the $1.35bn Utilicorp United had agreed in a friendly deal. Western Resources slipped $⅛ to $28⅞ and Utilicorp lost $⅛ at $28.

Meanwhile, Enserch jumped $4⅞ or 27 per cent to $20⅞ on news that it had agreed to be acquired by Texas Utilities, down $⅞ at $38⅞.

Canada

Toronto was mixed at midsession as a weak golds sector continued to offset gains in other groups. The TSE 300 composite index was 3.29 higher by midday at 5,025.20 in volume of 33.4m shares.

Among golds, Barrick Gold dipped 10 cents to C$41.65, while Placer Dome gave up 70 cents to C$39.05 after the company forecast a disappointing first quarter due to mining problems.

Cott fell 50 cents to C$8.50 after the soft drinks bottler reported heavy year-end losses.

Laidlaw class B dropped 43 cents to C$13.95 after Merrill Lynch downgraded the waste and transport group after last week's disappointing results.

In base metals, Alcan Aluminium lost 75 cents to C$45 after last week's report of weaker first-quarter profits.

Mexico breaks 3,200

Mexico's stock market broke through the 3,200 level in early trade as the market took its cue from Friday, when shares rose 4.3 per cent on the back of comments by Mr Guillermo Ortiz, the finance minister.

Mr Ortiz said first-quarter growth would be better than expected and inflation for April *would probably be under 3 per* cent. Yesterday the Banco de Mexico governor said inflation for April would be about 2.8 per cent, giving another boost to the stock market.

At midday the IPC index was up 40.83 or 1.3 per cent at 3,215.68.

SAO PAULO was down slightly by midsession with the *Bovespa index off 322 at 49,833.*

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+1.01	+3.19	+6.47	+9.91	+7.53	+4.67
Belgium	+0.90	+4.48	+19.95	+4.85	+2.68	-0.04
Denmark	+0.34	+2.03	+19.70	+7.00	+4.97	+2.18
Finland	+2.11	-2.95	+5.23	+1.81	-3.47	-6.04
France	-0.04	+5.42	+12.80	+12.98	+11.20	+8.24
Germany	+0.46	+2.16	+24.04	+10.04	+7.60	+4.75
Ireland	+0.01	+3.42	+25.61	+6.48	+6.43	+3.60
Italy	+4.19	+3.94	+2.24	+1.90	+5.60	+2.78
Netherlands	+1.33	+4.62	+31.67	+11.40	+9.22	+6.31
Norway	+3.39	+3.54	+17.58	+8.48	+8.45	+5.56
Spain	+0.51	+5.55	+28.88	+8.04	+7.20	+4.35
Sweden	+0.56	-0.67	+25.51	+8.91	+10.46	+7.53
Switzerland	-0.88	+0.83	+39.45	+7.94	+4.33	+1.55
UK	+0.32	+3.44	+17.59	+2.91	+2.91	+0.17
EUROPE	**+0.49**	**+3.18**	**+20.73**	**+6.86**	**+5.85**	**+3.04**
Australia	+1.50	+0.84	+10.54	+1.02	+10.27	+7.34
Hong Kong	-2.57	+2.80	+25.51	+10.21	+13.21	+10.20
Japan	+0.70	+7.11	+27.67	+4.99	+2.37	-0.35
Malaysia	-0.55	+2.26	+16.33	+13.63	+17.74	+14.61
New Zealand	-0.06	-0.75	+0.70	-1.75	+4.50	+1.72
Singapore	[illegible]	+1.84	+23.19	+8.14	+11.36	+8.40
Canada	+0.34	+1.73	+16.11	+6.83	+10.37	+7.44
USA	-3.04	-1.06	+25.13	+3.26	+6.08	+3.26
Mexico	+1.75	+13.37	+64.69	+16.59	+23.13	+19.86
South Africa	-3.07	-1.08	+22.81	+8.01	-2.35	-4.95
WORLD INDEX	***-1.04***	***+2.12***	***+23.83***	***+5.00***	***+5.51***	***+2.70***

† Based on April 12 1996. © Copyright, FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1996. All rights reserved.

EUROPE

Frankfurt heads the Continent's record ways

The Continent started well before throttling back during the afternoon.

FRANKFURT was a case study, as it moved to a closing high during the official session, but then lost some of the impetus later. The Dax index finished 34.16 up at 2,545.95, having seen an intra-day high of 2,547.74. During the Ibis the market moved down and ended at 2,540.79.

Investors were especially active in exporters, car stocks and cyclicals, but volume was modest as investors expressed caution ahead of Thursday's Bundesbank council meeting and the following session's expiry of options and futures.

Daimler-Benz performed well with an advance of DM14.30 to DM829.30, before an Ibis DM827.40, on the back of the dollar and further optimism that the company was likely to return to profit in 1996.

SAP continued to recover on expectations that first-quarter results due to be announced tomorrow would show that the company was doing well. The stock made DM8.20 to DM202.30, then DM200 in the Ibis.

AMSTERDAM scented takeover talk, although reports that Samsung, of South Korea, might be about to mount a bid for Philips were dismissed as "fanciful" and "without realistic foundation". Philips rose Fl1 to Fl 60.20 as the AEX index climbed 7.10 or 1.3 per cent to 549.00, a new record.

Traders said a cut in the special advances rate by the central bank helped sentiment.

Bols Wessanen, the food and drinks group, up Fl 1.80 at Fl 34.90, was another takeover story, with CSM being rumoured as a possible suitor.

PARIS lost some of its earlier gains during late trading as the CAC-40 index gathered 5.82 to 2,080.56. Turnover was FFr4.2bn.

Schneider was ahead FFr7.10 at FFr238 after the chairman said the company was valued at FFr440 per share, or a total of FFr70bn, in the event of any takeover bid.

ZURICH was closed for a public holiday, but the SMI index, calculated on the basis of thin trade in Geneva and Basle, picked up 14.1 to 3,589.6.

Financials largely maintained their levels ahead of today's UBS annual meeting.

SGS was up SFr60 at SFr2,640 and Clariant rose SFr8 to SFr428, on their dollar sensitivity, while Georg Fischer gained SFr30 at SFr1,490, benefiting from the D-Mark's stronger tone against the franc.

UBS advanced SFr3 to SFr1,277, SBC firmed SFr2 to SFr443 and CS Holding eased 25 centimes to SFr111.25.

MILAN moved ahead, but finished sharply off the day's highs, as early expectations of a victory in next weekend's general election by the centre left, the market's favoured outcome, gave way to a feeling that the centre right could win.

The real-time Mibtel index turned back from a high of 9,994 to finish 13 ahead at 9,812.

Olivetti lost L12.2 to L847 ahead of today's board meeting on 1995 results and forecasts for 1996.

MADRID finished at its high for the year but analysts warned that resistance levels were looming. The general index rose 2.46 to 349.48 in heavy volume of Pta40bn.

Telefónica gained Pta30 to Pta2,030, while Repsol fell Pta40 to Pta4,580.

La Seda, the textile company, resumed trading after almost five years of suspension and was quoted at Pta805, up Pta515 from its previously quoted price.

HELSINKI was broadly higher, supported by hefty trade in forestries and metals, and the Hex index rose 17.85 to 1,839.34.

Metals were helped by sharp gains in Valmet, up FM5.30 to FM110, as fears of a share issue or a large government stock sale eased.

Tampella, the loss-making engineering group being courted by Sweden's Sandvik and Svedala, eased FM0.40 to FM8.85. On Saturday, Sandvik paid FM10 a share in cash for a 26 per cent stake in Tampella, saying that while it would not seek full control, its stake might rise to 40 per cent. A week ago, when Tampella was quoted at FM6.90, Svedala offered to merge with Tampella in a share swap worth FM1.35bn, or FM9.63 a share.

STOCKHOLM gave a broad welcome to the government's budget proposals and the Affärsvärlden index picked up 21.9 to 1,896.4.

Analysts noted that the bank and insurance sector jumped 1.9 per cent as bond yields fell after Mr Erik Åsbrink, the finance minister, presented the spring budget and hopes rose for a rate reduction by the Riksbank soon.

Sandvik moved up SKr0.5 to SKr148.50 and Svedala dropped SKr7 to SKr219.

OSLO continued the recent bull run to set a new all-time high in active trade led by industrial shares. The total index closed 4.10 ahead at 801.54, off the day's high of 803.93, in hefty turnover of more than NKr1bn.

A NKr4.50 rise in Norsk Hydro to NKr303 was attributed to market speculation of a merger. Transocean ended NKr2.50 up at NKr153 after equalling the year's high so far at NKr157.

Orkla, the food-based conglomerate, climbed more than 3 per cent to NKr331 in healthy turnover attributed to a large buyer in the market.

BRUSSELS took advantage of a higher dollar and firmer bonds to push ahead, although analysts cautioned that budget talks this week could begin to overshadow the market.

The Bel-20 index put on 12.17 at 1,716.26 as the bourse authorities said they were considering whether to adjust the weightings of stocks as part of the continuing investigation into reasons for volatility over past weeks.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Apr 15	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1650.60	1651.85	1652.07	1653.15	1653.17	1652.95	1651.49	1651.24
FT-SE Eurotrack 200	1703.64	1704.56	1705.36	1708.59	1708.87	1707.84	1706.09	1703.90

	Apr 12	Apr 11	Apr 10	Apr 9	Apr 4
FT-SE Eurotrack 100	1638.25	1640.35	1643.23	1632.69	1628.39
FT-SE Eurotrack 200	1684.78	1686.64	1701.20	1694.72	1683.77

Base value 1000 (26/10/90). High/day: 100 - 1653.88; 200 - 1709.55 Low/day: 100 - 1650.05 200 - 1703.62. † Partial.

SOUTH AFRICA

Industrials experienced solid gains, while gold shares weakened because of a decline in the bullion price. The industrials index made 61 to 8,122, off a midsession high of 8,130, the golds index eased 11 to 1,816 and the overall index climbed 29 to 6,699.

Iscor, the steel maker, rose 10 cents or 2.6 per cent to R3.85. Among declining issues, Kloof Gold shed 50 cents to R49.25 and Western Areas Gold lost 50 cents to R66.50.

ASIA PACIFIC

Nikkei index climbs to a new four-year closing high

Tokyo

Expectations of increased purchases by Japanese pension funds supported investor confidence and the Nikkei average closed at a four-year high, *writes Emiko Terazono in Tokyo.*

The 225-share index climbed 222.57 or 1 per cent to 21,883.04, *the highest since February 7,* 1992. The index fluctuated between 21,704.88 and 21,922.93 on buying by domestic and foreign investors and profit-taking by investment trust funds.

The rise in the yen against the dollar and Friday's gain on Wall Street prompted a rally on the futures market which in turn triggered arbitrage buying. Profit-taking by domestic investors emerged, but bargain hunting provided underlying support.

"There is selling by investment trust funds and other institutions which bought around 20,000, but many people are refraining from heavy profit-taking," *said Mr Yasuo Ueki* at Nikko Securities.

Volume was 583m shares, against 882m. The Topix index of all first section stocks rose 10.32 to 1,683.01 and the Nikkei 300 by 1.40 to 311.60. Advances led declines by 754 to 332, with 140 issues unchanged.

In London the ISE/Nikkei 50 index firmed 0.66 to 1,453.64.

Individuals dabbled in speculative favourites: Tec, a leading manufacturer of retailing equipment, moved ahead Y45 to Y810 and Takasaki Paper advanced Y80 to Y490.

Domestic investors and overseas fund managers sought large-capital steels and shipbuilders. Brokerage dealers bought steels on expectations that Nenpuku, the largest state run pension fund, would invest in large-capital blue chips. NKK, the day's most active issue, hardened Y1 to Y343 and Nippon Steel rose Y3 to Y385.

Chemicals were sought by domestic institutions and dealers as laggards. Showa Denko improved Y6 to Y362. Fisheries were also traded actively by bargain hunters. Nippon Suisan forged ahead Y52 to Y512 and Maruha Y35 to Y445.

Mazda Motor, which is to be rescued by Ford Motor, was bid at Y545, up Y80 from Thursday's close. The Tokyo stock exchange suspended trading in the stock on Friday *following its announcement* that Ford would increase its stake and would replace Mazda's president.

Other car stocks, which had declined on Friday on the announcement that Ford was purchasing new shares in Mazda at Y363 per share, were higher on the yen's weakness. Honda Motor added Y10 at Y2,290 and Nissan Motor gained Y5 at Y865.

In Osaka, the OSE average rose 150.50 to 23,256.06 in volume of 99.4m shares.

Roundup

Promising market and economic fundamentals overrode post-election political uncertainty in SEOUL and the composite index gained 12.59 at 908.16.

Institutional investors provided the driving force, sending the index above 900 for the first time this year.

Blue chips led the day's rally: LG Electronics rose by Won1,200 to Won22,500 and Yukong went up Won1,600 to Won29,600. Samsung Electronics appreciated Won5,300 to Won95,100. Chonggu Housing & Construction rose Won1,000 to Won18,500.

HONG KONG made scant progress in thin volume, with the market fully discounting the US March CPI data.

The Hang Seng index rallied 99.77 to 10,949.57, its first advance in five sessions, just off a session's high of 10,950.14, in turnover of HK$3.4bn.

Dealers said mild buying interest emerged in the afternoon as participants turned increasingly optimistic that Wall Street was likely to see an upward technical correction.

Far East Hotels & Entertainment rose by 42.50 cents or 20 per cent to HK$2.60 on news that the company was working with Cheung Kong, down 25 cents or 0.5 per cent at HK$54.75, on a 2m square foot property development.

SINGAPORE was slightly higher, with the OTC market dominating volumes, while local banking stocks were the subject of foreign demand.

The Straits Times Industrial index edged ahead 0.31 to 2,384.35. Volume was 130m shares worth S$324m.

KUALA LUMPUR kept last week's momentum, with second-liners still dominating trading. The composite index added 10.24 at 1,160.48.

Intiplus was the most actively dealt stock, rising 10 cents to M$2.78 on 13m traded. Dealers said the company was rumoured to be in the midst of a restructuring.

SYDNEY closed higher amid expectations of another rise on Wall Street. The All Ordinaries index made 16.1 at 2,263.3.

Turnover reached 236.8m shares worth A$592.1m, with advances outpacing declines by a margin of five-to-four.

Brokers said a belief that BHP may have been oversold recently helped restore some positive sentiment in the stock, which moved up 21 cents to A$19.30. WMC climbed 20 cents to A$9.34, CRA made 14 cents at A$19.92 and MIM was up 5 cents at A$1.98.

SHENZHEN B shares ended marginally lower, weighed down by worries of poor results from companies that have yet to announce earnings. The B index edged ahead 0.34 to 60.43 in volume of 728,000 shares valued at HK$1.2m.

With two weeks before the April 30 deadline remaining, only five of 34 B index constituent companies have announced earnings results.

SHANGHAI listed B shares finished lower, with trade remaining light amid anxiety over 1995 corporate earnings. The B index receded 0.40 to 49.70 in volume of 3.7m shares valued at HK$1.5m.

TAIPEI closed moderately firmer, boosted by very high trading volume as investors remained bullish about the market's future. The weighted index advanced 51.83 or 1 per cent to a one-year closing high of 6,122.46, following Saturday's 125.57 points gain.

Turnover soared to 3.8bn shares worth T$139.6bn, the highest level since January 1994. Gainers outpaced decliners by 276 to 108, with 39 issues unchanged.

The weighted index opened stronger and jumped to the high of 6,191.56 in early trading before falling to a low of 6,007.13 amid heavy selling for financial shares.

MANILA hurdled the 3,000 barrier for the first time in 17 months amid broad buying from foreign investors. The composite index rose 21.11 to 3,008.60 in heavy turnover. Brokers said foreign buying was evident in growth stocks such as Guoco Holdings, which rose 11.1 per cent to 6 pesos.

WELLINGTON saw interest focused in Fletcher Challenge's paper division, up 11 cents at NZ$3, as the NZSE-40 Capital index finished 10.67 up at 2,148.33. Trust Bank gained 8 cents to NZ$2.87 ahead of its scheduled announcement this week regarding merger talks.

COLOMBO slipped on the first day of trading after the new year holiday, while volume was the lowest for more than 3¼ years. The All-Share index retreated 3.4 to 664.7 and turnover was estimated at around SLRs2.7m.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 12 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 11 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	203.97	0.8	200.10	140.11	159.45	171.64	0.7	4.05	202.27	198.10	138.71	157.87	170.44	203.97	162.88	173.88
Austria (25)	182.65	0.7	179.22	125.49	142.81	142.65	0.8	1.59	181.44	177.70	124.43	141.61	141.45	199.26	168.11	183.55
Belgium (34)	209.05	0.2	205.08	143.61	163.43	159.15	0.4	4.11	208.55	204.25	143.02	162.78	158.58	215.81	186.06	188.39
Brazil (28)	153.85	2.7	150.93	105.68	120.27	280.38	2.5	2.59	149.77	146.68	102.71	116.90	273.45	170.25	109.87	110.36
Canada (99)	159.48	-0.3	156.45	109.55	124.67	156.62	-0.3	2.39	159.96	156.67	109.70	124.85	157.09	159.96	134.14	135.29
Denmark (33)	295.07	-0.3	289.47	202.69	230.67	232.90	-0.2	1.83	296.06	289.96	203.03	231.07	233.34	305.17	259.41	259.41
Finland (24)	175.78	-0.6	172.44	120.75	137.41	173.50	-0.3	2.86	176.79	173.14	121.24	137.98	174.14	276.11	171.73	181.51
France (38)	194.19	0.0	190.50	133.40	151.81	155.49	0.1	3.02	194.15	190.14	133.14	151.53	155.35	196.88	167.70	179.52
Germany (60)	171.46	-0.4	168.20	117.78	134.04	134.04	-0.2	1.86	172.08	168.54	118.01	134.31	134.31	174.38	147.98	147.98
Hong Kong (59)	427.23	-0.6	419.13	293.49	333.99	424.16	-0.6	3.33	429.99	421.13	294.88	335.61	426.88	451.19	323.87	340.43
Ireland (16)	264.72	0.1	253.70	181.85	206.95	239.17	0.4	3.47	264.44	258.99	181.34	206.39	238.20	267.91	217.70	217.70
Italy (59)	75.75	0.8	74.32	52.04	59.22	88.99	1.1	2.17	75.15	73.60	51.53	58.65	88.02	82.71	67.22	67.38
Japan (481)	154.39	-0.2	151.40	106.06	120.70	106.06	0.0	0.72	154.70	151.52	106.09	120.75	106.09	164.82	137.75	158.29
Malaysia (107)	556.02	0.1	545.46	381.95	434.67	539.03	0.3	1.62	555.33	543.89	380.83	433.44	537.41	561.96	425.77	486.12
Mexico (18)	1241.44	3.6	1217.88	852.80	970.50	10173.16	3.6	1.37	1198.51	1173.81	821.91	935.44	9821.98	1241.44	791.89	908.48
Netherland (19)	289.94	-0.2	284.44	199.17	226.66	222.28	-0.1	3.17	290.60	284.61	199.28	226.81	222.41	291.80	235.13	235.13
New Zealand (15)	81.03	-0.3	79.49	55.66	63.34	83.58	-0.3	4.30	81.24	79.57	55.71	63.41	63.74	85.49	76.26	79.32
Norway (33)	244.15	0.4	239.52	167.72	190.87	215.16	0.4	2.43	243.25	238.24	166.81	189.86	214.26	244.15	214.17	214.17
Singapore (44)	441.44	-0.1	433.06	303.25	345.10	287.04	0.1	1.32	441.82	432.71	302.99	344.84	286.63	465.21	355.81	361.04
South Africa (45)	366.27	0.6	359.32	251.61	286.33	331.63	0.4	2.54	363.99	356.49	249.62	284.10	330.16	437.76	338.91	342.47
Spain (37)	172.38	0.8	169.11	118.42	134.76	164.04	0.7	3.37	171.08	167.55	117.32	133.53	162.90	175.88	134.27	134.27
Sweden (48)	335.58	-0.4	329.21	230.53	262.34	333.49	-0.3	2.39	337.07	330.13	231.16	263.09	334.67	352.26	241.23	243.29
Switzerland (39)	239.65	-0.1	235.11	164.63	187.35	181.72	0.3	1.56	240.02	235.08	164.60	187.34	181.22	252.34	181.75	181.75
Thailand (46)	183.44	0.1	179.95	126.01	143.40	180.23	0.0	1.81	183.33	179.55	125.72	143.08	180.23	193.95	134.53	139.00
United Kingdom (204)	230.93	0.4	226.55	158.64	180.53	226.55	0.6	4.04	229.96	225.22	157.70	179.48	225.22	235.50	206.40	206.40
USA (628)	259.44	1.0	254.52	178.22	202.82	259.44	1.0	2.23	256.97	251.69	176.23	200.57	256.97	269.11	206.41	207.54
Americas (773)	237.16	0.9	232.66	162.91	185.40	199.29	0.9	2.23	234.92	230.08	161.10	183.36	197.41	245.54	199.08	189.73
Europe (726)	206.97	0.1	203.04	142.16	161.80	181.56	0.3	3.02	206.73	202.47	141.77	161.35	181.03	209.03	178.19	178.19
Nordic (135)	288.28	-0.3	282.81	198.04	225.37	251.26	-0.2	2.38	289.30	283.34	198.40	225.80	251.87	297.48	231.86	231.88
Pacific Basin (930)	167.62	-0.2	164.44	115.15	131.04	117.43	0.0	1.15	167.89	164.43	115.14	131.04	117.45	171.87	148.88	164.15
Euro-Pacific (1556)	183.91	0.0	180.42	126.34	143.77	141.78	0.1	2.03	183.97	180.17	126.16	143.59	141.60	185.05	168.51	169.90
North America (727)	253.17	0.9	248.37	173.91	197.92	252.45	0.9	2.23	250.88	245.71	172.04	195.81	250.16	262.28	202.03	202.88
Europe Ex. UK (522)	188.86	-0.1	185.27	129.73	147.64	155.53	0.1	2.47	188.95	185.05	129.57	147.47	155.33	190.78	159.23	159.23
Pacific Ex. Japan (252)	290.24	-0.0	284.73	199.38	226.90	250.98	0.0	2.96	290.25	284.27	199.05	226.54	250.93	293.58	237.71	242.42
World Ex. US (1749)	185.10	0.0	181.58	127.15	144.70	145.97	0.2	2.05	185.07	181.25	126.92	144.45	145.74	188.17	167.38	170.17
World Ex. UK (2173)	205.48	0.4	201.58	141.16	160.64	173.85	0.5	1.93	204.65	200.43	140.34	159.73	173.01	209.05	178.82	178.82
World Ex. Japan (1896)	237.52	0.6	233.01	163.16	185.69	224.88	0.7	2.55	236.11	231.24	161.92	184.28	223.42	242.38	196.38	196.38
The World Index (2377)	207.76	0.4	203.82	142.72	162.42	178.63	0.5	2.12	206.92	202.65	141.90	161.50	177.75	211.20	181.24	181.24

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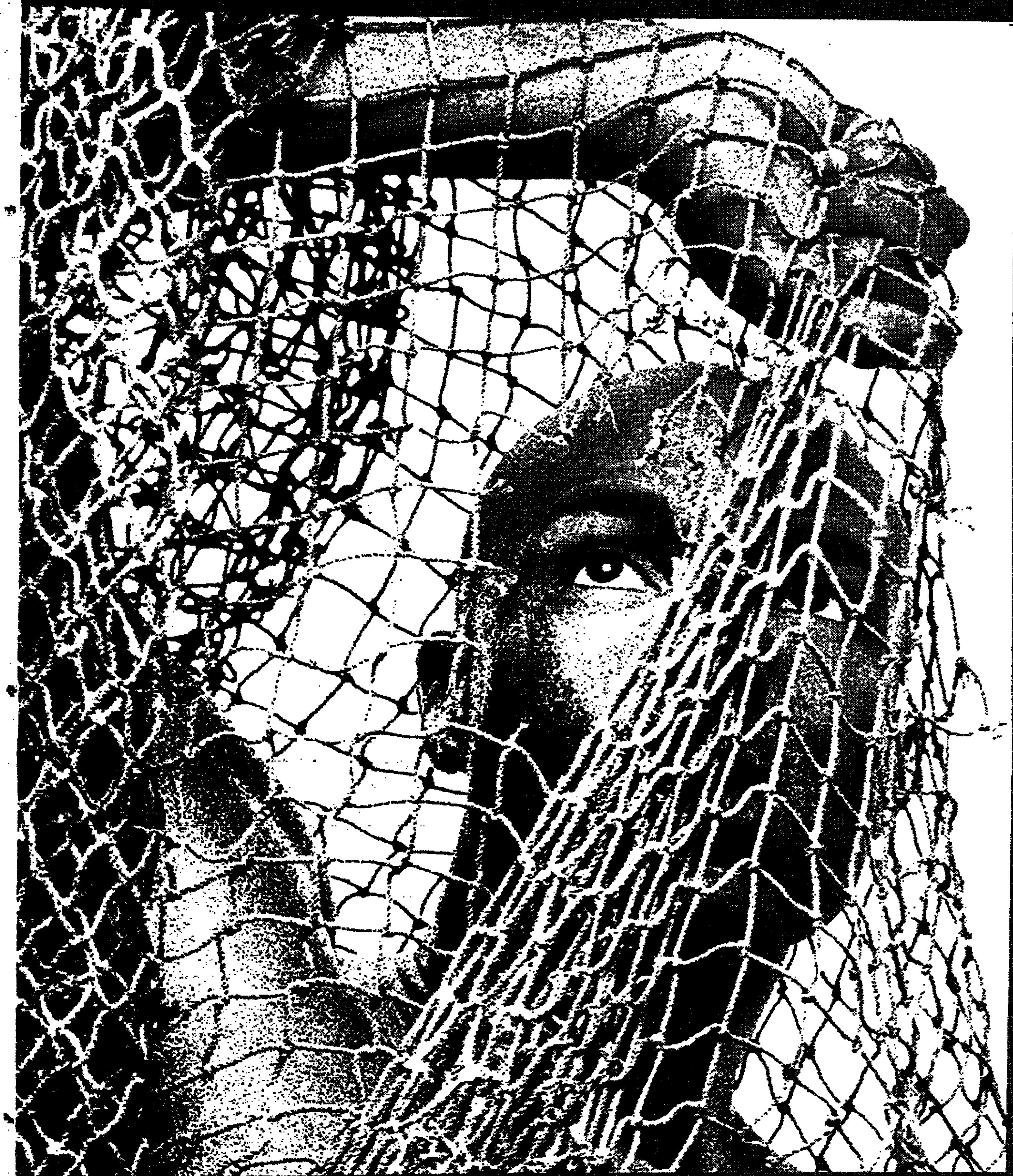

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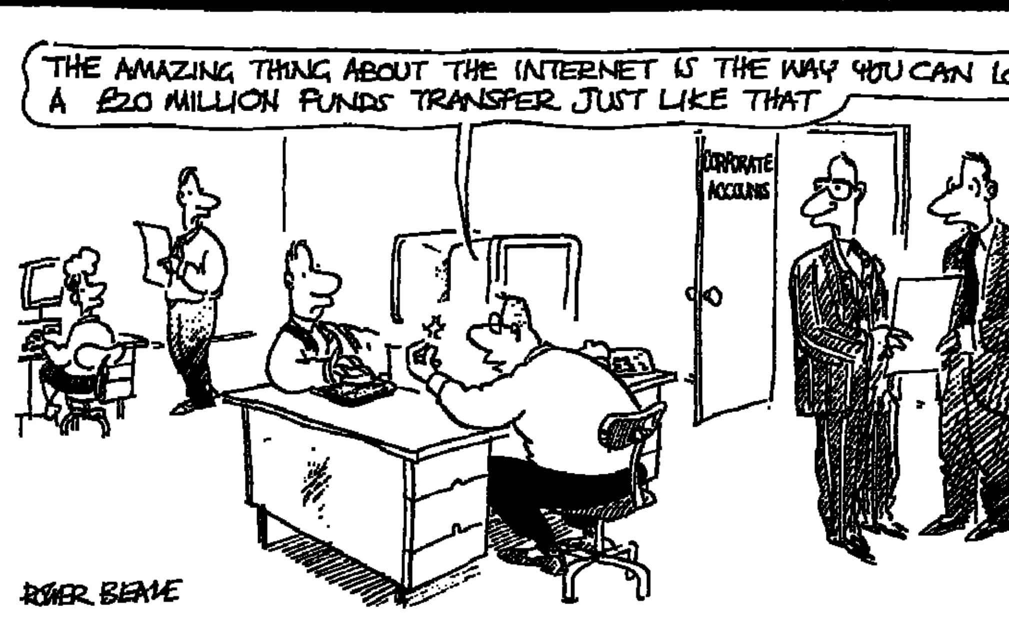

A hacker's paradise

One computer on the Internet is broken into every 20 seconds. **Louise Kehoe** and **Suzette Stephens** report

Gathering next to a bank of public telephones in the San Francisco financial district, members of the "2600 Club" eagerly show off their newest gadgets – laptop and hand-held computers and telephone tapping devices.

Most are male high school or college students, about 14 to 20 years old. They talk in rapid-fire acronyms, eyes darting nervously, always on the lookout for interlopers. The group "networks" with other club chapters in Seattle and Canada via the payphones.

As the group disperses, some members arrange an evening of "dumpster dipping" – crawling through rubbish bins behind local office buildings in search of computer print-outs, a prime source of passwords and other valuable clues on how to invade a company's computer network.

Is this kid's play? Are these just youngsters inspired by the recent rash of films and TV dramas about Internet hackers? Not according to IT professionals who also attend 2600 gatherings. By mingling with local hackers (2600 Club members generally break into computers to prove their expertise, rather than to steal data or do damage) these IT managers hope to pick up the latest gossip on newly discovered security flaws and clues on how to foil serious attacks.

Despite a proliferation of computer security products ranging from "secure" server and browser software to firewalls, encryption and authentication schemes, computer break-ins are on the rise.

Moreover, teenage hackers and disgruntled employees – long the perpetrators of most computer attacks – have been joined by bands of "crackers" intent on disabling computers, stealing or destroying data for financial gain, as well as industrial and international spies.

Currently, computer security experts say, US Internet sites are under frequent attack by hackers from eastern Europe. But there are also now more than 20,000 aggressive, deliberately destructive hackers in the US and the number is said to be growing at a minimum of 5 per cent per month.

By some estimates, one computer on the Internet is broken into every 20 seconds. Although most businesses are reluctant to admit that they have been victims, more than half of 250 US information security managers polled by the National Computer Security Association, a US industry group, said in February that they had experienced Internet-related security breaches in the past year.

The true number of computer break-ins is much higher, security experts say, because most such incidents go undetected. Hackers may enter a computer system, copy files and leave without the victim ever knowing that the computer has been invaded.

The rise of hacking parallels the growth of the Internet and some would argue that the bigger the Internet becomes the less likely it is that any one computer will be compromised. Yet as more and more businesses jump on the Internet bandwagon, many newcomers who are unsophisticated in their approach to computer security may be at risk.

A separate survey by the Computer Security Institute, for example, found that more than 30 per cent of Internet sites in its sample lacked a "firewall", a program designed to prevent intrusions. This is like saying that a third of companies do not bother to lock their office doors at night. It is "asking for trouble", security experts warn.

Neither, it appears, are IT managers keeping pace with security problems. In an unusually blunt alert, the US Computer Emergency Response Team (Cert), a clearing house for Internet security problems, warned last December that "widespread attacks on Internet sites" were occurring.

"Hundreds of sites have been attacked and many of the attacks have been successful," Cert warned. Intruders were exploiting well-known security loopholes that computer managers had failed to fix, the group said. Yet even companies that use the latest technology to protect their computers with firewalls, virus protection programs, passwords and encryption may not be safe. Maintaining computer security requires expertise and constant vigilance, says Marketta Silvera, president and chief executive of Pilot Network Services, a California-based Internet service company.

One of the problems, says Silvera, is that "firewalls are static by nature, while hackers are continually developing new attack methods". Firewalls must be upgraded constantly to fend off new types of attacks, just as anti-virus programs require frequent updates, she says.

As hackers find new loopholes in firewalls, operating systems and Internet applications programs, IT managers are struggling to stay one step ahead. Ironically, as the number of sophisticated hackers rises, there is a dire shortage of computer security professionals.

Worse, computer hackers are increasingly employing sophisticated tools to exploit security holes. Satan, a program that scans computer systems in search of known vulnerabilities, is one such example. The public release of Satan, a year ago, caused a firestorm of controversy with security experts predicting dire consequences.

It may never be known to what extent Satan has contributed to the rise in computer break-ins. Today, however, hackers have ever more powerful scanning programs as well as "robot" programs that automate the process of challenging the security of a computer linked to the Internet.

Efforts to create secure methods of conducting business over the Internet have also proven "crackable". The public-key encryption scheme employed by Netscape Communications, for example, fell prey to two computer science students at the University of California at Berkeley last year.

As the Internet becomes a critical element of corporate information systems it is clear that security will be a costly and difficult trade-off between the advantages of global communications and electronic commerce versus the risks of hacker intrusions.

This is the first in an occasional series on Internet technology issues.

Viewpoint · By Jerrold M. Grochow

Don't bank on the Internet, quite yet

There are still obstacles to surmount before a full service can be offered

If you read this and other financial publications regularly, you probably believe that most banks are just a hair's breadth away from providing full banking services on the Internet, or other portions of cyberspace such as America Online and Compuserve.

Based on my recent experiences, though, banks have quite a long road ahead before you and I can seriously bank in cyberspace. Not that they won't travel this road more quickly than they have any other, but there are more than a few obstacles to surmount. Here is a sampling of my personal experiences.

Falling interest rates convinced me to refinance my current variable rate mortgage and take out a fixed-rate loan. As might be expected of a chief technology officer, I turned to cyberspace to see if I could work the problem in a high-tech way.

My first effort was to find the current rates charged by banks writing loans in my area. Unfortunately, I was unable to find any listing of banks in Washington DC, but I did find a nice list of savings and loan institutions in San Francisco with rates about a month old.

One major institution with an online presence advertised that they would accept an online loan application from anywhere in the country, but when I tried filling out their forms via the World Wide Web, I got a "server not found" error message (ie either their computer was down or someone had made an error in their WWW programming). I wasn't getting very far.

I called my current mortgage lender on the telephone and found that it indeed had attractive rates as well as a seemingly simple process to go through – or so I thought.

Then the paper work began: universal residential loan application, good faith estimate, disclosure statements, lock-in agreements, option forms – it went on and on. And then I had to send copies of bank statements, annual wages, even a tax return.

That was not enough: the lender wanted an explanation of why a single mortgage payment was late three years ago – when it took over the loan from another organisation and stopped my automatic payments. It took more than two months to get to the point of even discussing closing the loan. How in the world are they going to do this in cyberspace?

Some of this paperwork is a result of federal fair credit reporting laws. Some of it is related to the daunting rules and regulations of the mortgage investors. Bank of America has put the required legal disclosures on the World Wide Web, but you still have to find all those old statements and other papers and send them in. Everyone is working on the documentation problems – but the wheels grind slowly.

I decided to try cyberspace again for some other banking services, those that are supposedly more mature. For example, several companies are actively competing for my bill-paying business.

For the modest sum of 50 cents per bill, a figure destined to fall, they allow me to "type a cheque" on my personal computer and transmit it to them for completion of the transaction.

For the thousands of us who don't enjoy licking stamps and envelopes, let alone keeping a chequebook, this seems like a pretty good deal. All you have to do is load their software, send in a simple application with a voided cheque from the account you want them to debit, wait a few days for them to verify the information, and then you're ready to go.

But not quite in my case. I went through the sign-up procedure for one of the largest online bill payers only to find out in the final step (a week later) that the organisation I use for checking services is "one of the few banks in the country" that doesn't support direct Automated Clearing House transactions – so the bill payer would not be able to get the money from my account.

Here are the issues: many factors go into developing and maintaining a successful banking institution. It has to be both a financial organisation and a retail organisation. It is governed by myriad laws and regulations, partnership and consortium agreements, and contracts.

Putting that organisation's business on the Internet requires a lot more effort than just creating a few pages of text and graphics. In a recent meeting with a major bank to discuss putting one of their services on-line, nearly 100 issues that had to be addressed came up.

Add to that the fact that computer programs tend to be unforgiving of deviations from the expected. Many of the minor problems that can be dealt with by a human when the customer is face-to-face or on the other end of a telephone turn into major problems when that same customer is communicating via modem to a computer program. Human customer service representatives can be trained to learn from their mistakes. Most computer programs cannot, at least not in today's world.

In cyberspace, convenience and customer satisfaction will depend on computer technology and business processes that provide secure, reliable, easy-to-use transaction processing whenever and wherever those customers want it.

The needs are great – modified regulations and agreements, more usable and sophisticated computer systems, even new marketing techniques. Everyone is moving in the right direction, and some faster than they ever have before, but it could be a while before we can seriously bank on the Internet.

The author is chief technology officer at American Management Systems, Fairfax, VA, an international consulting company.

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Lancashire County Council, advised by NatWest Markets, is considering a disposal/partial disposal of its existing 100% shareholding in Lancashire Waste Services Limited ("LWS") a fast-growing and successful waste management company formed pursuant to the Environmental Protection Act 1990. The preferred route would involve a Joint Venture arrangement in which the County Council's partner would purchase a majority of the County Council's shareholding in this Company in such a manner as will realise for the County Council the strategic value of LWS.

Potential purchasers/partners interested in becoming involved with the County Council in such an arrangement should write in confidence quoting reference 71/GL to:

The Chief Executive/Clerk
Lancashire County Council
PO Box 78, County Hall
PRESTON, Lancashire PR1 8XJ

Letters should arrive not later than 30 April 1996.

NATWEST MARKETS

This advertisement has been approved by NatWest Markets Corporate Finance Limited (a member of the SFA) as financial adviser to Lancashire County Council in connection with the disposal of LWS

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INVITATION FOR THE DECLARATION OF INTEREST FOR THE PURCHASE OF THE ASSETS OF "MARTIN BEACH HOTEL A.E."

The incorporated company under the title "ASTIKA AKINITA A.E." (Panepistimiou 43, 105 64 Athens) in its capacity as special liquidator of the hotel unit MARTIN BEACH which is among the assets of the societe anonyme under the title "MARTIN BEACH HOTEL A.E." with head offices in the town of Skiathos, Municipality of Skiathos, Prefecture of Magnesia, by virtue of the provisions of article 46a, L. 1892/1990 as added to the law by the provisions of article 14, L. 2000/1991 as modified and applicable and of Judgements nos. 692/1994 and 229/1996 of the Court of Appeal of Larissa.

INVITES all interested parties to declare their interest for the purchase of the hotel unit MARTIN BEACH which is among the assets of the societe anonyme under the title "MARTIN BEACH HOTEL A.E.", a company having the objective of operating a 'B' Class hotel complex located in Tzaneria Beach, Municipality of Skiathos, Prefecture of Magnisia, Isle of Skiathos, by submitting within a term of twenty (20) days from the publication of the present a non-binding declaration of interest in writing.

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All parties wishing to declare their interest and receive a detailed offer memorandum and additional information, are kindly requested to apply to Mr. George E. Pomonides and Mr. Christos S. Agathopoulos, Panepistimiou 43, 105 64 Athens, tel.: 326.6113 326.6111, fax: 326.6115.

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Dated this 29th day of March 1996
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LAW

Treaty obstacles to convention

EUROPEAN COURT

As European law now stands, the European Union has no competence to accede to the European Convention for the Protection of Human Rights and Fundamental Freedoms, according to a preliminary opinion of the European Court of Justice.

The opinion was given following a request from the Council of Ministers that the Luxembourg court should decide whether accession of the EU to the European Convention on Human Rights was compatible with the Treaty of Rome. The court received written and oral submissions on behalf of all of the EU institutions and most of the member states, including the UK.

On the question of the admissibility of the request for an opinion, the court observed that the treaty established a special procedure of prior reference to the court so it could be ascertained, before the conclusion of a particular agreement, whether that agreement was compatible with the treaty. In this case, no negotiations for an agreement had commenced and the precise terms of the agreement for the accession to the convention had not been determined.

The court believed that accession presented two main problems: first, the competence of the EU to conclude such an agreement, and second its compatibility with the provisions of the treaty, in particular those relating to the jurisdiction of the court.

The request was admissible, insofar as it concerned competence, since the purpose of the proposed agreement was known, and the Council of Ministers had a legitimate wish to know the exact extent of its powers before taking any decision on the opening of negotiations.

However, the court was not in a position to give its opinion on the question of compatibility, as it did not have sufficient information regarding the arrangements by which the EU envisaged submitting to the judicial control machinery established by the convention.

The court recognised that the competence of the EU to enter into international commitments might not only flow from express provisions of the treaty, but could also be implied from those provisions.

No treaty provision conferred on the EU institutions gave any general power to enact rules on human rights or to conclude international conventions in this field.

Article 235 was designed to fill such a gap where the power appeared necessary to enable the EU to carry out its functions, with a view to attaining one of the objectives laid down by the treaty. However, that provision could not serve as a basis for widening the scope of EU powers beyond the general framework created by the treaty as a whole. Article 235 could not be used to amend the treaty without following the procedure provided for that purpose.

The European court noted that the importance of respect for human rights had been emphasised in various declarations of the member states and of the EU institutions, and in the Single European Act and the Treaty on European Union.

It also observed that fundamental rights form an integral part of the general principles of law whose observance the court must ensure, and that the convention has special significance. Respect for human rights is a condition of the lawfulness of EU acts, but association to the convention would entail a substantial change in the present EU system for the protection of human rights.

It would involve the entry of the EU into a distinct international institutional system, and the integration of all the provisions of the convention into the EU legal order. The European court concluded that such a modification of the system would be of constitutional significance and would go beyond the scope of Article 235. It could, therefore, be brought about only by way of amendment to the treaty.

Opinion 2/94 of the European Court of Justice, ECJ, March 28 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Scotland gains a first in Japan

Henry Wallace, who will be the first foreigner to run a leading Japanese car maker when he takes over as president of Mazda, doesn't at first sight fit the aggressive, hard-driving image that tends to attach to US managers in Japan.

But then Wallace, 50, is not American, rather a Scotsman who grew up in Edinburgh and graduated, in economics, from Leicester University before joining Ford in Britain in 1971.

After several international postings with the group, Wallace arrived at Mazda in February 1994, with a brief to develop a longer term strategic relationship with the struggling car-maker.

Although Mazda's financial recovery was officially in the hands of the Japanese management, Wallace, a Ford high flier who had specialised in finance along the way, made a considerable impression, according to analysts.

The company, which has sustained heavy losses in the past two years, has concentrated on generating cash flow and, with the help of asset sales, is expected to break even in the year to March 1996.

Although he speaks little Japanese he has impressed staff with the great respect he has accorded to the Japanese way of doing things. *Michiyo Nakamoto*

Formula changes

A change of nationality is occuring at the top of Rhône-Poulenc Rorer, the US drugs company majority-owned by Rhône-Poulenc, the French chemical maker.

After more than a decade as chairman, Robert Cawthorn, 61, from Britain, who moved to North America as a young man, passes the baton to Frenchman Michel de Rosen, pictured above.

De Rosen, 45, has been heir apparent since he joined the company as president and chief operating officer in 1993. Previously he was chief executive of Rhône-Poulenc's fibres and polymers division.

A product of France's Ecole Nationale d'Administration, de Rosen initially joined the French treasury, was transferred to Washington as financial attaché at the French embassy, and then moved to the defence ministry. He left the civil service and joined Rhône-Poulenc in 1982.

Cawthorn, meanwhile, has presided over the transformation of a relatively small business, outside the world's top 50 drugs companies, into a group that ranks in the top 15.

A Yorkshireman who had moved to North America as a young man, he joined the then Rorer Group in 1982 as president of its international division. Cawthorn became chief executive in 1985 and chairman in 1986.

In that year, the group bought Revlon Healthcare of the US. Four years later, Rorer merged with the human pharmaceuticals division of Rhône-Poulenc, and last year it expanded further with the acquisition of Fisons, the UK drugs company. *Daniel Green*

Blockbuster target

Blockbuster Video, one of the world's largest chains of video rental and retail stores, has promoted Nigel Travis to senior vice president Europe as part of its efforts to expand its interests outside the United States.

Mr Travis, 46, joined Blockbuster as vice president, Europe in 1994 from Grand Metropolitan, the UK leisure group.

Blockbuster, a subsidiary of Viacom, the US entertainment group which also owns the MTV video music channel and Paramount film studio, has 4,500 stores worldwide, of which 3,000 are in the US.

The company first moved into Europe in 1989 by opening stores in the UK and Spain. It has since expanded into Italy and Germany, and now has a chain of 764 outlets across Europe. Travis's promotion comes at a time when Blockbuster faces fierce competition in the US market.

Travis hopes to increase the size of the European chain to around 2,000 stores by the year 2000 through a combination of openings and acquisitions. *Alice Rawsthorn*

Madonna's global role

Jon Madonna, chairman and chief executive of the US firm of KPMG, one of the Big Six international accountancy and consulting organisations, is to step down to become full-time head of the firm's global umbrella group.

While most of the Big Six are collections of national firms, there is growing competition to provide big clients with a cross-border service. Hence, the development of common services and quality controls within the global firms are becoming increasingly important.

Madonna, head of the US firm since 1990, will concentrate on providing that service. He became chairman and chief executive of the global firm, based in Amersterdam, last October.

KPMG said its national firms were planning to double the budget available to the global umbrella group by 2000. It was a "myth", it added, that the chairman of a national firm could devote as much time to the global group as was needed in the coming decade. There will be an election for Madonna's successor in the US. *Jim Kelly*

Arp has it wrapped up

PLM, the Swedish packaging group, has brought in Fredrik Arp, as its new chief executive.

He is currently managing director of Trelleborg Industri, the rubber products subsidiary of the Swedish mining and metals group, and takes up his post in early July, when PLM's current chief executive, Rolf Börjesson, takes over the running of Rexam, the UK printing and packaging group.

In 11 years with Trelleborg Industri, Arp, 42, carved out a reputation as one of Sweden's brightest young executives. He had been particularly involved on the mergers and strategic alliances side of the business.

Arp's career began in the Swedish flooring company Tarkett, then a part of Swedish Match. He held several positions in Sweden and France until 1983, when he became head of the textile flooring division.

He left Tarkett to head Trelleborg's tyre operations and two years later was appointed managing director of Boliden Kemi, a chemical company within the group. He moved to his present position when it was sold to Finland's Kemira in 1989. *Greg McIvor*

ON THE MOVE

■ James Eskridge, 53, has resigned as president of MATTEL WORLDWIDE, but will remain a senior adviser to the company.

■ Thomas Jasper, a managing director of SALOMON BROTHERS, has been named treasurer of Salomon Inc. and Salomon Brothers Inc. Jasper succeeds John Macfarlane, who has been appointed co-head of the US dollar fixed-income derivatives business.

■ Barry Bramley, chairman and chief executive of British American Tobacco Company and a director of BAT Industries, joins the board of BROWN-FORMAN's as a non-executive director.

■ William Nisen becomes president of MCGRAW-HILL HOME INTERACTIVE, a new division formed in 1995 to concentrate on multimedia publishing.

■ Richard Genin, executive vice president of The Bank of New York, has been elected to the board of SWIFT, the leading provider of global financing messaging services. He replaces Hy Silkes who has retired from Citibank.

■ Lord Nickson is retiring from the board of NATIONAL AUSTRALIA BANK. He joined the board in 1991, having been a director of Clydesdale Bank since 1981. Trevor Matthews takes the new position of general manager, financial services.

■ A.A. Loudon is to chair ABN AMRO's supervisory board from May 3, when Silas Keehn, from the US, and Jean-Marie Messier, from France, become the supervisory board's first non-Dutch members.

■ Michael Potter has been named vice president and chief financial officer of ALCATEL NETWORK SYSTEMS. He was previously general manager and comptroller of Alcatel Services International, based in Paris.

■ John Riccitiello, 36, rises to senior vice president at SARA LEE. Four new corporate vice presidents have been named: Joseph Fortino, 58; Ralph Huschle, 57; Jerry Laner, 50; and Roderick Palmore, 44.

■ Clifford Vaughan, GENERAL MOTORS' vice president and group executive in charge of the truck group, is retiring on May 1 after 44 years with the group. Thomas Davis, 49, succeeds him.

■ Robert Bauman, non-executive chairman of British Aerospace and former chief executive of SmithKline Beecham, is joining the board of MORGAN STANLEY GROUP.

■ Teruyuki Sugizaki has been appointed president of the Houston-based TOSHIBA INTERNATIONAL CORPORATION, replacing Toshio Doshida who returns to Japan after six years at the helm. Toshiba International, a subsidiary of Toshiba America, is a major supplier of power generation equipment and other industrial equipment systems.

■ Russell Fynmore has been elected as chairman of Australian telecommunications carrier OPTUS COMMUNICATIONS. He replaces Brian Inglis who is to retire. Fynmore is chairman of Australian Defence Industries, Azon and Eastern Aluminium.

■ Mark Paterson has been appointed chief executive of THE AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY.

■ Alain Teitelbaum has been appointed president of COMITE COLBERT, the French luxury goods promotion body. Teitelbaum joins from Raychem France, where he has served as president and more recently as European treasurer. He succeeds Christian Blanckaert.

■ Gary Reiner, 41, has been named to the new post of senior vice president – chief information officer at GENERAL ELECTRIC COMPANY. Reiner, formerly vice-president, corporate business development, will also be responsible for GEC's information services business.

■ Zhuang Shoucang and Alan Lam Man-bun have resigned as directors of CITIC PACIFIC, As of April 1.

■ Gianfranco Cianci, 60, becomes managing director and director general of STEFANEL, the Italian clothing manufacturer and retailer. He will move from his position of managing director of food and consumer goods group Chiari & Forti.

■ Chew Choon Seng has been appointed deputy managing director (administration) for SINGAPORE AIRLINES. He will also continue to serve as the company's director of finance.

■ Antonio Marzano has resigned as chairman of IRI's financial holding company Cofiri, in order to concentrate on the forthcoming election campaign. Marzano is responsible for economics in Silvio Berlusconi's FORZA ITALIA party.

■ Shunsaku Hashimoto, president of Sakura Bank, has been appointed chairman of the FEDERATION OF BANKERS ASSOCIATION OF JAPAN. He relaces Toru Hashimoto, president of Fuji Bank.

■ Laurie A. Tucker has been appointed senior vice president of FEDERAL EXPRESS's newly-named logistics, electronic commerce and catalog division. The division replaces FedEx Logistics Services, which was headed by James A. McKinney who remains with the company as a consultant.

Michael Sears, 48, has been named by McDONNELL DOUGLAS as president of Douglas Aircraft Company, its commercial aircraft unit in Long Beach, California. Sears had been vice president and general manager of the group's largest tactical aircraft programme, the F/A-18 Hornet strike fighter.

■ Keith Dack, 36, has been appointed head of foreign exchange trading in New York and Andreas Putz, 35, managing director of the short term interest rate group, for Britain's BZW. Dack joins from Salomon Brothers in London, where he was head of spot trading. Putz joins from Deutsche Bank, where he was head of sales and trading in Singapore.

■ Carl-Diedric Hamilton, managing director and chief executive of ALFRED BERG, has been named chairman of the global equity directorate. His remit is to optimise co-operation with the recently aquired securities entities of ABN AMRO Hoare Govett and, once the acquisition has been completed, Chicago Corporation.

■ Hideo Hohgi, former director of sales and operations for BMW Japan Corporation, has been appointed president of CHRYSLER JAPAN.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

صورة من الاصل


Victoria de los Angeles, 1953 (left), and Gina Lollobrigida, 1954, by John Deakin: magnificent portraits which bring one up short and stick in the mind

A true artist behind the camera

John Deakin produced some of the most powerful, haunting images of modern British photography, writes William Packer

What is it about the photograph? One minute we are looking at work that with the utmost *self-consciousness aspires to* the condition of art: the next at apparently the most artless and direct of material that yet pulls us up short, sticks in the mind and goes on quietly working upon the imagination.

The argument as to the standing of the photograph as art is well rehearsed; photography is at once bedevilled by its universal snap-happy practice, yet persuasive in so many particular instances. The camera is a tool, and if the eye behind it and the hand upon it are those of an artist, then art will happen.

John Deakin was clearly an artist. Indeed his true ambition was to be a painter and he came to photography almost by chance, a case not so much of taking it up as being taken up by it to make a living. He was never a great technician and was careless of his equipment, whether or not it belonged to him. He was twice *on the staff* at Vogue, and twice sacked after the same short interval, the last time in 1954. Prolific as he was when given the chance, only now would Vogue wish to have made so much more of him.

The trouble was that he was a difficult character, too often drunk, spiteful and unreliable, and at the same time he was too strong, radical and uncompromising in his actual work, most especially as a portrait photographer. Even his fashion work had a quality of confrontation and real presence, the model no mere clothes-horse but often troubled flesh and blood. Norman Parkinson, a senior colleague, perhaps jealous, disapproved. "He once wrote that the editor, Audrey Withers, "angled more and more photographic opportunities in the direction of a considerably untalented photographer who was a confirmed alcoholic . . ."

The portraits are simply magnificent in their frontality and simplicity, qualities made all the more striking in the knowledge of who his subjects were. For Deakin, whether in or out of Vogue, found his essential material in the Soho of the 1950s and early '60s, with its shifting cast of characters – artists, singers, actors, writers – moving between the York Minster and Muriel Belcher's Colony Room. And it would be all too easy for the account of the louche bohemian life to take the story over, with Deakin no more than its marginal chronicler, all but forgotten but for the chance survival of his work. The point is that it is the strength of that work that comes through, transcending all mere documentary interest. It was disconcerting, and it was before its time.

Ten years on and, in other hands, Deakin's approach had been reduced to a cliché of Swinging London, slick images of pop stars in strongly-contrasted black-and-white. But Deakin was the true pioneer, and in his studies of such as Francis Bacon, Lucian Freud, John Minton, Maria Callas or Louis MacNeice, he produced some of the most powerful and haunting images of modern British photography, definitive icons of their time. The camera moves in uncomfortably close. The face fills the frame. No wonder the young and beautiful Prunella Scales looks decidedly apprehensive.

In the later 1950s and early '60s, Francis Bacon commissioned portraits from Deakin to use as reference for his own work. The subjects were all friends – George Dyer, Bacon's long-time companion until his suicide in 1972, Henrietta Moraes, Isabel Rawsthorne, Muriel Belcher and Lucian Freud. By their private nature and the pure chance of their survival – the surviving prints retrieved from the morass of Bacon's studio after his own death in 1992 – they constitute the most intriguing group of all.

What is so odd is that their manifestly distressed state should somehow increase their imaginative potency, the Freud group most of all. It is as though these images have escaped from the chemical prison of emulsion and the printed page to live subversively in the real world, a real object at last. These most of all we have no difficulty in accepting as true works of art.

The clue is Deakin's own apparent indifference to what he had achieved, his work uncatalogued, uncared-for, stuffed out roughly into envelopes and cabinets from where it was rescued by Bruce Bernard, an old friend who had always recognised Deakin's quality as an artist, after his death in 1972. Unpreciousness and unselfconsciousness were ever the marks of the true artist.

But he wanted to be a painter, and gave up photography altogether in his last years. As Bernard puts it, "he really was a member of photography's unhappiest minority whose members, while doubting its status as art, sometimes prove better than anyone else that there is no doubt about it."

This restoration of Deakin to his proper place among the best photographers of our time is overdue. Robin Muir's choice of material for this exhibition and his catalogue, published by Schirmer Mosel, are exemplary.

John Deakin – photographs: National Portrait Gallery, St Martin's Place WC2, until July 14, then on to Munich.

Opera in concert/**David Murray**

Birtwistle's 'Mask of Orpheus'

The South Bank's Harrison Birtwistle "retrospective" series – named after his 1984 piece *Secret Theatre*, with the suggestive resonances of its title – has made an imposing start, with the help of BBC Radio 3. On Friday it funded a semi-staged, finely prepared performance of *The Mask of Orpheus*, Birtwistle's 1986 "lyric tragedy" for the English National Opera. That had to be an heroic effort; one hears, after all, that the ENO's 1986 production will never be revived because its cost would be prohibitive now. A one-off Royal Festival Hall performance of this quality cannot have come much cheaper.

Birtwistle (b. 1934) is our leading modernist: not because he has anything to do with a "school", but because he is interested only in pursuing his own new musical methods. Those have a tough audible logic, arcane and idiosyncratic though it is, and they have generated so many exciting pieces that they command respect. This South Bank festival promises a substantial feast.

His *Orpheus* is unsparingly complicated. In the layout of the music – no strings at all, but enormous wind and percussion forces, with pre-recorded electronic sections; in the casting (Orpheus, Eurydice and Aristaeus are triply represented, each by two singers and a mime); and in Peter Zinovieff's libretto, which answers to Birtwistle's aims by presenting the Orpheus story as refracted through many ancient, inconsistent versions.

It loops back upon itself too often to develop, either as a story or as a "symphonic" piece in the old sense. Instead, we keep encountering the same mythic crises, and the same musical "objects", in new lights. Eventually that adds up to a different kind of development, detached but keen-eyed – an obsessive concern with all the ways that the eternal, nagging Orpheus/Eurydice relation *might* have gone, and what they would mean.

They are brilliantly mirrored in the music, in a dazzling variety of severe modes: simmering electronic backgrounds, hieratic mock-antique chorales, controlled solo outbursts, a few cataclysms. Stephen Langridge's "semi-staging" answered almost as well to that as any full-blooded operatic production could, including the ENO's. The text does not invite literal, naturalistic treatment.

What many of the audience *did* miss, however, was any information about what was actually going on, at nearly four hours' length – because of a shortage of programme-books. A cruel miscalculation: *The Mask of Orpheus* is not an opera (or "opera", if you prefer) that explains itself visually. Leaving a fair proportion of a sold-out house without helpful clues to the intended action – there were surtitles, but only for brief scene-headings – was inexcusable.

In the circumstances, the ovation at the end was a tribute to the non-literary force of Birtwistle's whole conception: obscurely but potently dramatic, and ferociously musical in its own way. Andrew Davis conducted the BBC Symphony in a luminous realisation of the score, with Martyn Brabbins as assistant in the cross-voiced passages where a lone conductor cannot cope.

If Act 1 remained chilly, a procession of dense, separate, sometimes beautiful items, the much quirkier sequence of Act 2 (17 symbolic arches, all the way from our Earth to the Underworld) gripped continuously; and Act 3 disclosed a "tragic" serenity behind its profusion of alternative *endings* for the tale. Beside a lot of our favourite singers in modern scores – Jean Rigby, Anne-Marie Owens, Peter Bronder, Marie Angel – this remarkable performance boasted the American tenor Jon Garrison as Orpheus I: well-studied, superbly committed and searching in a role which is never going to be part of his bread-and-butter.

We also had both Omar Ebrahim and Alan Opie as Aristaeus, the bee-keeping "other man" – but Birtwistle has now trimmed their role almost away. Probably with good reason; yet I missed his electronic bees, which once set the whole Coliseum buzzing with a more-than-earthly hum.

Remaining Birtwistle concerts on the South Bank: April 16, 19, 26 and 29, May 1, 2 and 4.

Music

A weekend of Sibelius

The bountiful Barbican dishes out not just marvellous pieces of music these days but complete *oeuvres*. No sooner had the London Symphony Orchestra completed its cycle of Bruckner's nine (and more) symphonies there than the estimable Gothenburg Symphony Orchestra arrived from Sweden with its principal conductor Neeme Järvi to give the cycle of Sibelius's seven. Unlike Bruckner's, Sibelius's symphonies are compact enough to play one after another in a manageable unit of time – a weekend – and to hold in one's head fairly easily as a group.

The Gothenburg arranged them into four programmes, out of chronological order, beginning indeed with the last, and ending with the last movement crowd-pleaser of the fifth. Each concert also included a non-symphonic piece: the violin concerto in the first on Friday night, the tone-poems *The Oceanides*, *Tapiola* and *Pohjola's Daughter* well-chosen as openers on (respectively) Saturday night and Sunday afternoon and evening. The whole event, underwritten by Volvo, is about to be repeated at Symphony Hall, Birmingham.

As one who has always believed that Sibelius's cycle of symphonies is not much less profound a musical testament than Beethoven's, the weekend (which also included five talks) struck me as a sheer box of delights, though the actual effect of attending the pair of Sunday concerts and thus consecutively hearing symphonies two, six and five and the tone-poems was partly, I found, to make me feel that I was at a workshop on Sibelius's style rather than responding to his divine essence. Even Sibelius can be reduced to problems of compositional technique – indeed, few composers more profitably so; and the decision to perform the symphonies out of sequence tended to draw attention to stylistic mannerisms and tics rather than submerge us in the irresistible *flow of the composer's* forward development.

For there is little in 20th-century music to compare with the impetus with which this Finnish composer, cast adrift from the Austro-German mainstream, redefined classical symphonism in work after work, forging on to attain the ultimate formal concision of his seventh symphony. His movements always "move" – and cease – in unexpected ways; the dynamic energy of one flows into the next with perpetual originality and surprise. Both on the large-scale and the small, *flow* is everything in Sibelius – the polar opposite of Bruckner in this respect, even though Sibelius's symphonies are intensely differentiated while Bruckner's are (splendidly) all the same.

Such thoughts were particularly prompted by Järvi's afternoon account of the second symphony, in which Sweden's oldest orchestra sounded gloriously rich and resonant and clear, sweeping through the music with joyous self-assurance, alive to its every nuance of tempo and sonority (how atmospheric the double-bass pizzicati at the start of the Andante!) Their *Tapiola*, too, had been a model of precision, a terrifying sonorous edifice. But in the evening they seemed tired. After a weekend of effort, their ensemble began to slacken, their balance to blur. Still, the sixth and fifth symphonies were seldom less than enthralling, and the strings' encore of the little *Andante Festivo* had mountainous intensity.

Paul Driver

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly and pianist Ronald Brautigam perform works by Debussy, Loevendie and Stravinsky; 8.15pm; Apr 19, 21 (2.15pm)

BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6310
● A Decade of Print Acquisitions. 1985-1995: this exhibition of prints acquired over the last decade offers visitors an opportunity to see works which are restricted from permanent display; from Apr 17 to Jun 23

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Rundfunk-Sinfonieorchester Berlin: with conductor Heinz Rögner and mezzo-soprano Kathleen Kuhlmann perform works by Henze, Mahler and R. Strauss; 8pm; Apr 19
DANCE
Komische Oper Tel: 49-30-202600
● Au-Delà: a choreography by François Raffinot to music by Giacinto Scelsi, performed by the Tanztheater der Komischen Oper Berlin; 8pm; Apr 17
OPERA
Staatsoper unter den Linden
Tel: 49-30-2082861
● Orpheus: by Telemann. Conducted by René Jacobs and performed by the Staatsoper unter den Linden. Soloists include Janet Williams and Roman Trekel; 7pm; Apr 17, 19, 21

BONN

THEATRE
Oper der Stadt Bonn
Tel: 49-228-7281
● Ibsens Haus: a play based on Henrik Ibsen's Nora, Hedda Gabler, John Gabriel Borkman, *Little Eyolf*, When We Dead Awaken and Ghosts (in German). Directed by Roberto Ciulli and performed by the Theater an der Ruhr; 8pm; Apr 18

DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Le Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert and performed by the Sächsiche Staatsoper Dresden; 7pm; Apr 17, 20

HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Hamburger Camerata: with conductor/pianist Claus Bantzer and soprano Hellen Kwon perform works by Haydn, Mozart, Wolf and Stravinsky; 8pm; Apr 19

HELSINKI

OPERA
Opera House Tel: 358-0-403021
● The Singing Tree: by Bergman. Conducted by Ulf Söderblom and performed by the Helsinki Opera. Soloists include Peter Lindroos, Riitva-Maya Ahonen and Marianne Harju; 7pm; Apr 17

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● The Collegiate Wind Ensemble: with conductor David Campbell perform works by Gounod, Janácek and Mozart; 7.30pm; Apr 17
St. John's, Smith Square
Tel: 44-171-2221061
● Capricorn: with conductor Diego Masson and soprano Susan Roberts perform works by Loevendie, Stravinsky and Ives; 7.30pm; Apr 17
EXHIBITION
Spink & Son Ltd.
Tel: 44-171-9307888
● The Small Picture Show: this exhibition in celebration of the small picture spans three centuries of British painting, from the 18th to the 20th, and includes a number of oils on paper. Highlights include works by Peter de Wint, Patrick Nasmyth, Sir Edwin Landseer, Eliot Hodgkin, John Dowman and John James Tissot. The smallest picture in the show is by Edmund Bristow and measures 4 inches by 3 1/4 inches; *from Apr 17 to May 17*
OPERA
London Coliseum
Tel: 44-171-8360111
● Orfeo: by Monteverdi. Conducted by Nicholas Kok and performed by the English National Opera. Soloists include Guy de Mey, Sarah Connolly and Nerys Jones; 7.30pm; Apr 17, 19, 23

MILAN

CONCERT
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Erwartung: by Schoenberg. Concert performance by the Orchestra del Teatro alla Scala with conductor Carlos Kalmar and soprano Karen Huffstodt; 8pm; Apr 17, 18, 20

MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098625
● Symphonieorchester des Bayerischen Rundfunks: with conductor Daniele Gatti perform works by Mendelssohn and Bruckner; 8pm; Apr 18, 19

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Guarneri String Quartet: with pianist Alicia de Larrocha perform works by Beethoven, Smetana and Brahms; 8pm; Apr 17
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Bohème: by Puccini. *Conducted by Simone Young and* performed by the Metropolitan Opera. Soloists include Cristina Gallardo-Domas, Karita Mattila and Roberto Alagna; 8pm; Apr 17, 20

PARIS

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Billy Budd: by Britten. Conducted by Gary Bertini and performed by the Opéra National de Paris. Soloists include Robert Tear, Rodney Gilfry and Eric Halfvarson; 7.30pm; Apr 17, 20, 22
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Elektra: by R. Strauss. Conducted by Daniel Barenboim and performed by the Opéra du Châtelet. Soloists include Deborah Polaski, Falk Struckmann, Reiner Goldberg and Gerd Wolf; 7.30pm; Apr 17, 22
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● La Cenerentola: by Rossini. Conducted by Maurizio Benini and performed by the Opéra National de Paris. Soloists include Rockwell Blake, Alessandro Corbelli and Jeanette Fischer; 7.30pm; Apr 17, 20, 23

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Die Fledermaus: by J. Strauss. Conducted by Sixten Ehrling and performed by the Royal Swedish Opera. Soloists include Gunnar Lundberg, Esaias Tewolde-Berhan, *Elisabeth Berg (Apr 17, 25) and* Hilde Leidland (Apr 20); 7.30pm; Apr 17, 20, 25

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Wiener Kammerorchester: with conductor Daitsuke Soga, violinist Daniel Hope and pianist Pietro de Maria perform works by Rüdenauer, Mozart, Schnittke and Haydn; 7.30pm; Apr 17
DANCE
Wiener Staatsoper
Tel: 43-1-514442960
● Staatsopernballet: perform three choreographies by Renato Zanella to music by Stravinsky: Symphony in Three Movements, Movements for Piano and Orchestra and Le Sacre du Printemps; 7.30pm; Apr 17, 19
OPERA
Wiener Volksoper
Tel: 43-1-514442960
● Don Pasquale: by Donizetti. Conducted by Asher Fisch and performed by the Wiener Volksoper. Soloists include Ildiko Raimondi, Franz Hawlata and Bruce Brown; *7pm; Apr 17, 23 (7.30pm)*

ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Hiroshi Wakasugi, mezzo-soprano Ildikó Komlósi and bass Lászlo Polgár perform works by Mozart and Bartók; 7.30pm; Apr 17, 18

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European Money Wheel

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Financial Times Business Tonight

Martin Wolf

No answer in Germany

Tony Blair should be cautious in his search abroad for a better economic model for the UK, as the British left has an unhappy history of backing losers

"England is perhaps the only great country whose intellectuals are ashamed of their own nationality." A recent re-reading of Will Hutton's best-seller, "The State We're In" (Jonathan Cape), brought this characteristically trenchant comment from George Orwell – in "The Lion and the Unicorn", published in 1941 – forcibly to mind.

Nothing is more characteristic of intellectuals of the left – which is what Orwell meant by intellectuals – than their faith in the superiority of somewhere else. Where that somewhere else is changes. But the search for a better tomorrow in someone else's today does not.

Mr Hutton dislikes and despises almost everything about his country's economy and constitution. He ascribes the ills of the British economy to the financial system, behind which stand "history, class, a set of values and the political system". Just as bad is the "semi-modern nature of the British state". Mr Hutton insists "the country needs and must have a modern constitutional settlement" and a European or, more precisely, German, form of co-operative stakeholder capitalism.

The attitude is familiar. As soon as it became obvious in the 1950s that the UK was not performing as well as other European economies, the search for a better model began. Many, impressed by Soviet planning, advocated a self-sufficient siege economy, continuing to do so almost until the eastern bloc collapsed. The more moderate left embraced French indicative planning in the 1960s, Swedish social democracy in the 1970s and the German social market economy in the 1980s. Now Singapore's paternalist capitalism seems the rage.

The danger is not that Labour in office would try to turn the UK into Singapore. Far more probable is an unreflecting attempt to adopt the less workable aspects of Rhineland capitalism. But the notion that the UK's problems could be solved by an effort to turn it into something like modern Germany is a snare and a delusion.

Fortunately, judged by his speech in New York last week, Mr Tony Blair, the Labour leader, is beginning to be aware of the dangers. He did, for example, explicitly reject the idea of introducing European "rigidities and costs into Britain". He also said that "there is no question" of trying to impose a German-style social security system in Britain by adopting the European Union's social chapter.

Mr Blair was right to be cautious, since an iron law is at work: whenever the British left embraces a particular exemplar, it turns out to be on the verge of collapse. Who remembers French indicative planning now? Sweden's difficulties are well-known. So, increasingly, are Germany's. There is a reason for this unhappy history of backing losers. What the left seeks is as little market as it can get away with. That usually turns out to be too little market altogether.

An object lesson is provided by the relationship between the British left and the social market economy which Ludwig Erhard introduced in west Germany in the late 1940s. At the time, economists on the left, such as Thomas Balogh of Oxford University, criticised the British authorities in Germany for "having given birth to an iniquitous new German economic and social system" in their sector. Later ennobled after serving as economic adviser to the late Harold Wilson, Lord Balogh condemned Dr Erhard, in particular, for trying to discredit "enlightened Keynesian economic policy" by liberalising prices, eliminating controls and adopting a stability-oriented monetary policy.

Now many on the left view the social market economy with enthusiasm. What has changed? First, it turned out that Dr Erhard's "abstract, obsolescent and internally inconsistent economic theory" was right. Second, the centre of gravity of the British political debate has moved to the right as that in Germany moved left.

In the 1940s the social market economy was a controversial liberalisation. Now, however, it stands for high taxes and regulation. It is excellent that so many on the left have become publicly sympathetic to a market-oriented philosophy. Unfortunately, what they prefer is the sclerotic high-tax social market economy of the 1990s, not the liberal *Wirtschaftswunder* (economic miracle) of the 1950s. But these are different economies: contrast West Germany's ability to absorb 10m refugees and sustain full employment in the 1950s with eastern Germany's employment disaster in the 1990s.

There are two powerful reasons why the UK should not try to imitate the German economy of today:

● It would not be feasible to make the shift to a Germanic stakeholder economy.

● It would not be desirable to make that shift, even if it were feasible.

As David Soskice, a British left-of-centre economist now working in Berlin, argues in a splendid article in April's issue of Prospect*, German stakeholder capitalism is a complex interlocking system. It depends on long-term financing, effective company-based training and worker participation in decision-making. To shift to this form of capitalism, the structure of British society would have to be transformed – as indeed Mr Hutton desires. Radical transformations of a country's social, political and economic furniture are possible after wars, particularly defeats. To expect them to happen to a prosperous country in peacetime is folly.

The change in the German direction would, in any case, be a mistake. As the chart shows, during the 1980s and 1990s the performance of German manufacturing industry has been second-rate. US manufacturing performance has been strikingly superior to Germany's. The UK's productivity performance has been superior, too. The relatively weak performance of traditional German manufacturing, its core area of competitive advantage, jeopardises its claim to be a role-model for other economies. American business unquestionably leads Germany elsewhere, in emergent technologies (such as biotechnology, semiconductors and software), complex system technology (such as telecommunications and aerospace) and financial and other business services.

Germany's employment performance has been mediocre, too. The proportion of the population employed is below that of the UK – 63.6 per cent in 1994, as against 66.5 per cent for the UK and 73.2 per cent for the US. The proportion of people over 55 in employment was only 33.4 per cent in 1993, as against 46.6 per cent in the UK and 53.8 per cent in the US.

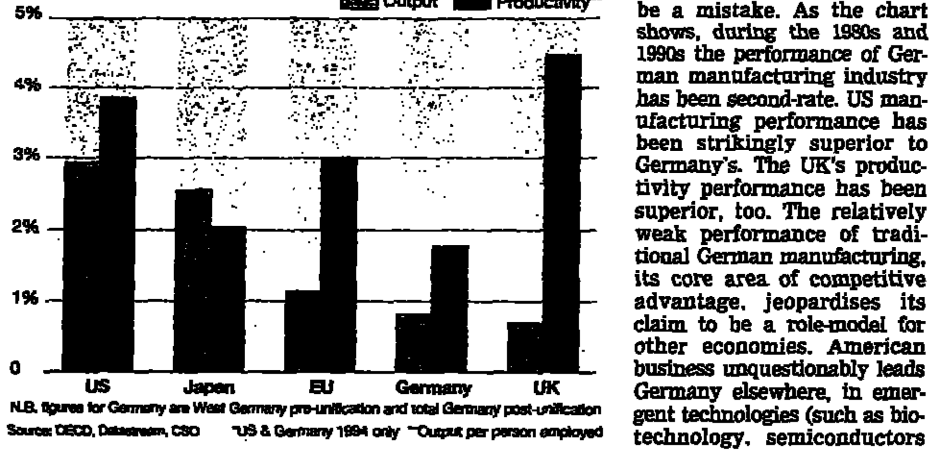
No small problem, as Mr Soskice also notes, is that the stakeholder business rewards those prepared to make a long-term commitment. Germany's unemployment rates are particularly high for adult women. High-flying women do better in the US than Germany, let alone Japan.

Throughout, Mr Hutton writes of the UK as if it were the contemporary version of the Austro-Hungarian empire or a banana republic. But the UK's economic performance has been in line with that of the other big European states over the past decade and a half. Its record of stable democracy is – need one say it? – unrivalled among the bigger European states. To argue that it needs wholesale reconstruction of the state, society and economy is little short of hysterical.

If there is one lesson of this century's bitter history, it is that societies cannot be rebuilt *de novo*. Any reforming government must start from the UK as it is, with its long-standing liberal individualism, a centralised state inherited from the Normans, its stable political institutions, its habit of gradual reform and its outward-looking finance-capitalism. Maybe that is not where Mr Hutton would like Mr Blair to start. Fortunately, Mr Blair seems to know better.

*"The Stake We're in", April 1996, available from Prospect, 4 Bedford Square, London WC1B 3RA, UK

Manufacturing: Europe's failing model



N.B. figures for Germany are West Germany pre-unification and total Germany post-unification
Source: OECD, Datastream, CSO *US & Germany 1994 only **Output per person employed

A French revolution in pay disclosure

The remuneration of top executives in France may become less of a secret, says Andrew Jack

This year's annual report from Lyonnaise des Eaux, the utilities, construction and communications group, promises to reveal one of the most closely guarded secrets in French corporate life: details of the remuneration of the chairman.

Announcing its 1995 results last week, Mr Jérôme Monod confirmed that the group will publish details of his pay, share options and pension entitlement for the first time in June.

Cynics have suggested that the move – one of several improvements in corporate governance adopted by the group recently – is designed to distract attention from the corruption allegations hovering over it. But the initiative is nevertheless a welcome step towards greater transparency on pay in a country in which top managers' remuneration remains clouded in secrecy.

"Executives' pay is rather opaque in France," says Mr Claude Vala, director of Buck Consultants in Paris, a remuneration consultancy. "There is no detailed disclosure requirement and there is an ingrained cultural trait: you don't talk about your salary."

Legislation and accounting requirements in countries such as the US and the UK require specific information on top managers' remuneration. But in France, the only rule is that a note in the annual report must disclose the total pay of the ten best-paid executives – which says little about individual earnings.

Remuneration was noticeably absent from a series of recommendations on improved corporate governance made last year by a business-backed committee headed by Mr Marc Viénot, chairman of the bank Société Générale. "The subject is too touchy," says Ms Sophie L'Helias, head of Franklin Global Investor Services, which represents Anglo-Saxon investors in France.

There are a few exceptions. Mr Claude Bébéar, chairman of Axa, the insurance group, has made no secret of his earnings which were FFr3.5m in 1994. And Mr Patrick Ponsolle, chairman of Eurotunnel has been forced to disclose his pay package to satisfy the demands of UK corporate regulation.

On the whole, however, French executives have done their utmost to keep pay information out of the public domain. Mr Jacques Calvet, chairman of Peugeot, the carmaker, pursued Canard Enchaîné, the weekly satirical and investigative newspaper, in the courts for violation of privacy after it published details of his tax returns.

Mr Jean Peyrelevade, head of Crédit Lyonnais, the state-controlled banking group, admitted last year that he was paid FFr1.8m – and that was down from FFr2m in the previous year. But the revelation was essentially a response to allegations in Nouvel Observateur, the weekly magazine, that he earned much more – allegations he believed were part of a campaign to undermine his authority when he was cutting staff at the bank.

Leaked information on the pay of high-earners triggers a strong and largely critical reaction. When Nouvel Observateur published the earnings of some television stars last month, there was almost universal condemnation.

"There is a fear of the unions and how they will react," says Mr Fabrice Lebée, a partner in Paris with Boyden, the recruitment consultants. "And there is a very deep, old sentiment within the French Catholic culture, which is shy about wealth and making money."

> 'There is a very deep, old sentiment within the French Catholic culture, which is shy about wealth and making money'

In the UK, greater openness has led to the creation of remuneration committees of non-executive directors who set executive pay and publish the criteria. In France, however, the recent creation of remuneration committees in many companies has often led to greater secrecy, according to Ms L'Helias of Franklin Global Investor Services. She says they are often a way for "the chief executive and one or two buddies to decide how much to pay themselves" while avoiding the scrutiny of the full board – including the employee-directors who are members by law.

With so little information on executive pay, it is difficult to assess whether top French managers are paid more or – as they generally claim – less than their counterparts in other countries. Mr Eduardo de Martino, head of benefits at the Paris office of Arthur Andersen, the accountants, says earnings have risen sharply in French companies over the last decade, with some approaching US levels.

However, "there is no correlation between pay and corporate size or profitability," he adds. That is one reason for the public outrage last year when Mr Pierre Suard, the former chairman of Alcatel Alsthom, the telecommunications and engineering group, confirmed that he received FFr13m in 1994, before share options. That made him one of the highest-paid executives in the country – although his company went on to generate the largest losses in French corporate history in 1995.

Ms L'Helias says that pressure for greater transparency from shareholders has so far proved limited. Whatever the motivations behind Mr Monod's action at Lyonnaise des Eaux, his decision to break the silence could encourage shareholders to ask for more.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Mutual market interests of the 'ins' and 'outs'

From Mr Alasdair Breach.

Sir, Your leader "The ins, the outs and Emu" (April 11), starts with the wrong premise, namely that the debate about the relationship between Emu's "ins" and "outs" risks sacrificing "the single market and even European co-operation". The purpose of Emu is to strengthen economic and political unity in Europe, and integral to this is the single market. The ideas proposed about the relationship between the "ins" and the "outs" are not taking place in some Emu-inspired vacuum, they are intended to defend the single market which is in danger from the status quo – an all but irrelevant ERM and the currencies that float as the market sees fit outside.

The single market has, up until recently, always been accompanied by a managed exchange rate system, that reduces the volatility of currency movements. In an environment where the lira/D-Mark rate is nearly 20 per cent different from that of a year ago – a change too large to be attributable to economic fundamentals alone – and where Germany is suffering recession or slowdown most commonly attributed to the excessively strong D-Mark of last year, is it not surprising that measures are being attempted to dampen volatility, and so defend the single market? How can it be politically acceptable to have a system where owing to foreign exchange market vagaries, Germans flocked to Italy to buy Mercedes, leaving salesmen in Germany in despair, as happened last year?

The single market is in the "ins" interests as well as the "outs", and the attempts to manage exchange rates should be seen in this light.

Alasdair Breach,
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Skills for a new culture

From Dr Peter Woolliams.

Sir, Richard Donkin ("A pricey move", April 10), reports on the growing costs of providing relocation packages as executives are moved around the globe. This investment (mainly domestic costs) can only be justified if the executive can be effective in the new culture.

Our own research, based on longitudinal studies and competence profiling of 1,800 European managers, shows that, although many companies have invested in expatriate and cross-cultural training, it has been largely ineffective. Most cross-cultural training offers only "recipes" for behaviour in management situations, but it is difficult for managers to maintain this "act" in a contrasting culture.

My work with TMA, consultants in transnational training, has resulted in a new methodology that allows managers, through simulated business situations, to develop skills that can be transferred to new cultural situations. In this way, relocated executives are equipped with a flexible strategy for effective cross-cultural interaction, and have a better chance not only of successfully completing their assignments but achieving a faster return on their companies' investment.

Peter Woolliams,
chair of research,
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The risk in Russia's nuclear feudalism

From Ms Elizabeth Turpen.

Sir, Among the post-Communist behemoths discussed in Chrystia Freeland's article "Enterprise derailed in new Russia" (April 2), one extremely important figure was overlooked. Viktor Mikhailov, minister of atomic energy for the Russian Federation, heads the agency that owns or controls most of Russia's fissile materials and its nuclear installations.

Minatom has the monopoly on nuclear power and fissile materials production, as well as being responsible for material protection, control and accounting. Minatom also employs or supports some 1m people, provides between 15 per cent and 20 per cent of Russia's electricity and has the ability to generate more hard currency than almost any other agency in the Russian economy.

The leak of fissile materials from a nuclear complex presents unprecedented risks to global security. In short, the possibility of "loose nukes" short circuits the non-proliferation regime.

Despite efforts to address problems in Minatom's nuclear security and accounting, US and multilateral efforts have been stymied by Mr Mikhailov's unwillingness to acknowledge that a problem exists.

While western policymakers are at fault for not sufficiently addressing Minatom's needs, as well as doing too little to prevent massive proliferation, Viktor Mikhailov continues to be a prime example of a feudal lord. He is, however, one master of the Russian economy whose stubborn disregard of fundamental humanitarian values may lead us all into a perilous future.

Elizabeth Turpen,
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WTO role as guardian of open trading

From Mr Anthony Hill.

Sir, Your editorial "A map for trade" (April 10) is timely, apposite and raises some important points which trade representatives and their principals in capitals must resolve quickly. How the new machinery serves the international trading community will depend on the vision members have of the system.

There is no better starting point than that enunciated by Sir Leon Brittan, vice-president of the European Commission, in Geneva recently. The World Trade Organisation should serve as the guardian of the open trading system, rallying the support of popular opinion in all our countries. It should follow then that the director-general and his 240 professionals must be entrusted with more than purely administrative functions such as "servicing negotiations". The WTO secretariat cannot serve its purpose or ours if it is "neutered".

How then to equip the secretariat and strengthen its mission? The research and analytical arm of the secretariat – currently 10 of the 240 – must be expanded to carry out the necessary conceptual and analytical work and to give meaning to the linkages between the so-called new issues (which you rightly describe as "important challenges") to be met in the gathering turbulence of global economic integration.

Naturally, the temptation to design "grand murals" must be watched closely.

It will be unnecessary (impossible even) to create a bureaucracy comparable to any of the large multilateral institutions. Nor could the WTO secretariat hope to supplant the myriad, high calibre academic institutions around the world. However, as it has shown with its recent study on regionalism, the WTO must have an independent capacity for sound, path-breaking and relevant analysis.

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FINANCIAL TIMES

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Tuesday April 16 1996

Israel and Lebanon again

There is something wearily familiar about the events of the past few days north of the border between Israel and Lebanon. An underground struggle with Islamist guerrillas around Israel's self-proclaimed "security zone" in southern Lebanon escalates into open skirmishing; Israeli helicopters pound Lebanese towns and settlements while Hizbollah terrorists rain Katyushas on northern Israel; tens of thousands of innocent civilians flee their homes; the Middle East peace process, and the fragile state of Lebanon itself, are destabilised anew.

The spiral has happened many times before – to little lasting effect, beyond injecting further ill will into relations between Israel and its neighbours. On this occasion the conflict is more dangerous than the last serious outbreak in 1993, featuring the first Israeli attacks on Beirut itself since the disastrous invasion of 1982. But there is no reason to suppose that Israel stands any greater chance of bringing lasting peace to its northern frontier.

Why, then, does it persist? Israel's official answer – enunciated by Mr Ehud Barak, foreign minister, on Sunday – is that it is trying to prod the Lebanese government into acting to "make the shooting of Katyushas toward Israel something which is practically impossible".

There are two problems with this argument. First, the Beirut government is a client of Syria, and its writ does not run far or strong enough to make such action a plausible possibility even in peaceable times. Second, Syria is most unlikely to rein Hizbollah in under pressure while Israel continues to occupy a large swathe of southern Lebanon in defiance of a UN Security Council resolution dating from 1978.

Mr Shimon Peres, Israel's prime minister, is a seasoned enough veteran of his country's Lebanese entanglements to be well aware of all this. He is also currently fighting a battle for re-election in the general election due on May 29. It is therefore reasonable to suppose that the real reasons for the current escalation lie less in Lebanon than in Israeli domestic politics.

From Mr Peres's point of view, the Lebanese hostilities have several advantages. They deflect criticism that he has failed to crush the Hamas bombers in his own backyard, or that he has a history of giving peacemaking priority over security. More generally, they draw the sting of the election campaign; the opposition Likud party cannot attack Mr Peres with great vigour while he is overseeing a military engagement.

It will thus be tempting for the prime minister to carry on with the fray. The risk is that in so doing, he will further fuel the wrath of Hizbollah – which, after all, was largely a creation of the 1982 Israeli invasion – fatally undermine the stability Lebanon had begun to enjoy, and send peace negotiations with Syria into reverse. Mr Peres should think again, and wind down this battle before it gets out of hand.

Signal failure

The likelihood that UK taxpayers will receive a fair price for Railtrack, owner of the UK's railway tracks and signals, has fallen as the dispute between the government and the Labour party over the sale has grown. The speed of the sale, revealed with yesterday's publication of the pathfinder prospectus, has increased the risk that the assets will be sold too cheaply. Labour's threats of radical intervention if it wins the next election have also probably reduced Railtrack's sale value. But its proposals are incoherent, and threaten the long-term interests of taxpayers and rail travellers.

The government has made valuation particularly hard by its apparent decision to sell most of Railtrack – possibly all – at once. The train operating companies, which are Railtrack's new customers, are scarcely up and running, making future revenues hard to judge. Much profits growth is expected to come from cost-cutting, but there is widespread suspicion, on the basis of previous privatisations, that the government has underestimated the scope for efficiency gains. The sensible response to such uncertainty would have been to postpone the sale until the operating companies were established, or sell several separate tranches.

The haste is the more regrettable because it is futile: if Labour wishes to change the rules, having won the next election, there is much it could do. Investors should take that risk seriously.

However, such intervention, on the lines revealed by Labour, would be unwelcome. First, its proposal to make Railtrack reinvest proceeds from selling property in rail assets would reduce the incentive to sell property at good prices; at present, it can retain 75 per cent as profit.

Second, Labour's desire to increase government control over the regulator would undermine the independence of the utility regulators created at privatisation. Labour also appears to have overestimated the rail regulator's power to alter the access charges which operating companies pay Railtrack; those are part of a contract between private companies.

Most odd is Labour's apparent objection to paying subsidies to a profitmaking and dividend-paying body. Ms Clare Short, shadow transport secretary, suggests that the government be paid a "return" on the public subsidy. But that objection ignores the central problem of the sale: without subsidy, the UK's rail operations, which are likely to remain lossmaking overall, are collectively worth less than zero.

It also suggests a misunderstanding of the terms on which private finance is willing to participate in such projects. That bodes ill for Labour's hopes of widespread co-operation between public and private sectors, on which much of its plans for infrastructure investment appear to rest.

Bird must fly

If the European Bank for Reconstruction and Development did not exist, few of its original shareholders, gathered in Sofia for its annual general meeting, would choose to invent it. But they have decided not to close it. Yesterday they put their final stamp of approval on a proposal to double its capital base to Ecu20bn ($25bn). There was never much doubt of its need for a capital fillip. By most reckonings, the bank would have run out of capital by 1997. The issue was whether it deserved one.

Three years ago, as shareholders were bidding a not-so-fond farewell to the first president, Mr Jacques Attali, the answer would have seemed obvious. The crisis-ridden bank exemplified all the faults of development banking: high overheads, poor management, and a vague – and sometimes dubious – mandate.

Mr Attali's successor, Mr Jacques Larosière, can claim to have changed all that. As a result, the granting of a share increase – first raised formally at last year's annual meeting – was never really in doubt. Both running expenses and the overall management structure have been overhauled. Indeed, administrative costs have not risen in real terms since Mr Attali departed.

Most important, the bank has made great progress towards complying with the more focused mandate which was agreed with shareholders two years ago. This puts a higher priority on working with the private sector, equity rather than loan finance, investing in infrastructure, broader geographical diversification, and building a stronger local presence in all the EBRD's 26 countries of operation.

There is still considerable room for improvement. Too many of the bank's new projects are in the relatively advanced economies of central Europe. And it could make much better use of its capital base, by selling off equity stakes as soon as there are ready, private sector buyers, and securitising parts of its loan portfolio.

The debate also needs to move on from the question of whether the bank should exist – to how long. As the directors were keen to stress yesterday, this must be the bank's last capital increase as well as its first. Its new goal must be to run out of clients before it runs out of money.

No transition economy has quite reached the point where the EBRD is entirely superfluous. But that day is quite fast approaching. At the very least, it would be unthinkable for any country to be close to joining the European Union while still in receipt of new EBRD financing.

Mr Larosière must not be shy of allowing these countries to graduate, and shifting the bank's energies to other, more needy students further east, especially in central Asia. And when all of the chicks have flown the nest, so, too, must the bird.

A campaign to conjure with

Indian politics has reached a watershed with regional and caste-based groups challenging the Congress party, says **Mark Nicholson**

Calm and subdued are not the usual epithets for an Indian election campaign. But with voting less than two weeks away, no words better characterise the race to fill India's eleventh parliament since independence. Only a few giant cutouts of the candidates loom over Indian streets. Parties report slow sales of banners, posters and other poll paraphernalia. Rallies are modest.

Politicians blame the Supreme Court and the Election Commission for clamping the tightest ever restrictions on campaign financing, limiting the usual brouhaha.

But there are other explanations for India's muted campaign: it is the first in recent times not to be dominated by the towering presence of a member of the Gandhi family, or indeed by any single personality; and passions have not been aroused by any big, national issues.

That might seem remarkable given the political and economic convulsions during the five-year tenure of Mr P.V. Narasimha Rao's Congress party government. There was the destruction in 1992 of the Babri Masjid mosque in Ayodhya by Hindu zealots; there has been the unprecedented opening and deregulation of the economy under Mr Rao after more than 40 years of statist control; and there have been a series of political scandals, culminating this year in India's biggest political bribes affair, which has led to charges against 25 top politicians.

Yet opinion polls show none of these issues is decisive. Voters are worried about inflation and employment, but there is no national debate about economic reforms; this election will not be seen as a referendum on economic policy. The Hindu nationalist Bharatiya Janata Party, closely associated with the Ayodhya ransacking, might have become a outside contender for national power, but is enjoying no sudden wave of Hindu religious support. Corruption is a non-issue; Indian voters already consider most of their politicians to be corrupt.

Moreover, the probable outcome of the election is already discernible: a hung parliament with Congress either the biggest single party or – at the least – the principal partner in a coalition government with some combination of smaller leftist, regional and caste-based parties.

Nevertheless, the 1996 election could mark a watershed in Indian politics. Even if Congress maintains power in some form, the election is likely to demonstrate its continuing, and perhaps accelerating, decline as the dominant force in Indian politics, while regional and caste-based political groups grow stronger at its expense. Many political scientists believe the election will herald an era of coalition government and raise the question of whether it will any longer be possible to conceive of a truly national Indian political party.

Congress's share of the popular vote has been falling since the early 1980s. Despite being buoyed by sympathy votes after the assassination of prime minister Indira Gandhi in 1984 and of her son and successor Rajiv during the 1991 election, the party's share of the vote tumbled from 48 per cent in 1984 to 36 per cent in 1991. A survey by the Centre for the Study of Developing Societies, an autonomous think-tank, suggests it may slip below 30 per cent this year. "As an all-India political presence," says Mr Yogendra Yadav, an academic at CSDS, "Congress is on the way out."

One reason is that Congress has lost the political power and electoral appeal of the Gandhi dynasty. "This will be the first election which has not, one way or another, been a national plebiscite on the Gandhi leadership," says Mr Yadav.

The party has lost many of its grassroots supporters. "At the height of its powers," says Mr Pran Chopra of the independent Centre for Policy Studies, "Congress was itself an unspoken coalition of various groups, beliefs and castes. As democracy has taken root, these groups have wanted power for themselves."

Splits in the party have occurred since the 1970s, with rebellions often led by Congress leaders seeking to shake off the Gandhian grip. Early splits led to the formation of what is now the Janata Dal party, a broadly leftist "social justice" group. But Mr Rao's own attempts to dominate Congress have also spawned new factions. Two senior party leaders last year broke away to establish their own version of Congress – truer, they argued, to the principles of the Gandhis.

Even in this election campaign Congress has suffered two further serious revolts. One was by an ex-minister implicated in the political bribes scandal who has formed his own Congress variant in Madhya Pradesh. The other was led by a group of senior MPs in Andhra Pradesh who objected to Mr Rao's electoral alliance with that state's autocratic chief minister.

But the grassroots defections are likely to wreak longer-term damage. Each component of the "unspoken coalition" that is Congress is under threat. Upper caste Hindus, for example, have become increasingly enamoured of the urban, upper-caste and assertive BJP. Moslems, who blame Congress for inaction over the destruction of the Babri Masjid mosque, are deserting the party. Most serious, and indicative of India's emerging political patterns, is the rise of caste-based parties, especially in the north.

Elsewhere, notably in the south, parties based on shared ethnic or linguistic identities have gained at Congress's expense. This, suggests Mr Chopra, is a "long-delayed fallout of India's federalism", a federalism which he says was distorted in the 1970s and 1980s by Mrs Gandhi's iron grip on Congress and the country's centrist economic policies. "Congress was a structure which all these emerging identities found suffocating."

He, like other analysts, believes such regionalisation of political power will only increase now that deregulation and liberalisation has suddenly endowed India's states with more economic power relative to the centre.

India's political fabric has thus become a more varied and complex patchwork. This raises the question of whether any party can replace Congress as a national Indian party. The chief pretender is the BJP, which won 20 per cent of the vote in 1991 and might secure 25 per cent this time round – enough, perhaps, to be the biggest single party.

But many wonder whether the BJP can become sufficiently broad-based to be a national party of government. Its core appeal to "Hindutva", a vaguely defined Hindu cultural nationalism, worries and alienates Moslems, who make up 11 per cent of the Indian population. The BJP speaks for the high-caste and better-off urban Hindus, which has provoked strong opposition from the poorer, rural and strongly secular caste-based parties. Pundits therefore argue that the BJP, even as the biggest party, would struggle to form a governing coalition.

Such analysts say the more pragmatic Congress, led by the politically wily Mr Rao, is better placed. But many feel that any resulting coalition will be awkward and may prove temporary. "This election will be like a series of simultaneous elections at state level," says Mr Yadav, "which will deliver clear verdicts at that level, but no clearly aggregated result at the centre."

The election could, therefore, render India more difficult to govern. Congress's avowed intention to continue economic reform, for example, may be compromised by the need to maintain a consensus with leftist or lower-caste coalition parties. They are likely to be more concerned with social equality than further economic liberalisation.

But even if governing India is going to be more awkward than ever, the country's democratic spirit appears to be alive and well. Nearly 50 years after independence, there is evidence – whatever the present lack of pre-electoral hubbub – that the emergence of regional and caste-based parties has drawn India's 590m voters more deeply into the political system.

"Democracy in India is flourishing," says Mr Chopra. "Which only makes it more complicated."

The bonds that can break all others

Caste divisions are almost as old as Indian civilisation, but they have never before played so central a role in its political system.

"Caste will be critical in this election," says Mr B.K. Joshi, director of the Giri Institute, a Lucknow-based think-tank. "Caste has always been there, but what is new is that the degree of mobilisation along caste lines has increased."

The trend is starkest in the poor agrarian states of north India, where a new breed of assertive politicians has succeeded in consolidating caste-based parties.

They appeal to lower segments of India's complex caste system. Caste divisions derive in part from kinship groups built around jobs and trades, and were reinforced by ancient Hindu spiritual gradations; Indians range from "high-caste" Brahmins, or priests, down to the "untouchables", whom Mahatma Gandhi rechristened the Harijans, or children of God, but who are called the Dalits, the suppressed, by their new leaders.

"Political leaders have found that caste is the surest way of securing block support," says Mr George Fernandes, a veteran leftist politician. "They know that caste bonds can break all others."

Uttar Pradesh, for example, has seen the rise of the Bajnhan Samaj Party, which proclaims the "political awakening" of the Dalits and which, polls suggest, may more than double its share of the vote to 5 per cent in the election.

Some party leaders say their aim is the abolition of the caste system. But caste politics may reinforce the system. As Mr Ram Sahu, a "backward" caste villager in Saravan, a hamlet 80km from Lucknow, says: "Since everyone is committed to their caste, we have to vote for our caste also."

· OBSERVER ·

Reds under the bed

■ A rush of blood to the head on the Amsterdam stock market yesterday morning. Bid fever was rife as speculators latched on to an item from Dutch news agency ANP. Samsung was preparing an official offer within the next couple of days for Philips. It was considering paying up Fl 79 a share, the story went, or 10-11 times earnings.

So Samsung was back – and how. In March, the South Korean electronics company had waded in – ultimately fruitlessly – to last-ditch talks to rescue Fokker, once Netherlands' industrial pride in the air. Now it was taking a tilt at a far more ambitious target – Europe's largest consumer electronics company.

Huge excitement. A quarter of a million shares changed hands in the first half-hour of trading, and Philips' stock shot up 2.5 per cent.

Over at the company, meanwhile, all was strangely calm. Philips, which had issued a profits warning at the AGM at the end of March, maintained it had had no contact with Samsung.

Could this have been because a canny official had read the ANP story a bit more carefully than the hot-headed speculators? In that case, he might conceivably have spotted that ANP's report was in turn based on text from another, hitherto unknown, outfit, the Thong Yong Press Service. Something to do with Pyongyang, possibly? Considering North Korea's bellicose stance towards South Korea ensures contacts are even more minimal than usual, one might just conclude that this was an unlikely source of hot news about Samsung.

Someone somewhere must be having a hearty chuckle – and possibly enjoying a tidy profit into the bargain.

Super-Trader

■ Few of America's trading partners are likely to mourn Mickey Kantor's move from US Trade Representative to Commerce Secretary. Kantor once described himself as a bureaucratic thug. Charlene Barshefsky, his acting successor as USTR, is personally less abrasive – but no soft touch.

The slightly-built 45-year-old Barshefsky has proven a formidable trade warrior since she gave up a lucrative Washington law practice to join Kantor's staff in early 1993. Her baptism of fire was drafting the 1994 US "framework" trade agreement with Japan, during which she once negotiated for 22 hours straight. Since then, much of her time has been spent talking tough to Beijing, a role which has regularly won her front-page coverage in the US press.

Her tireless dedication and achievements should ensure a smooth Senate confirmation if President Clinton decides, as is widely expected, to make her appointment permanent. Whether that would make for an easier home life is less certain. Last month, Barshefsky opened her heart to a magazine interviewer about the emotional strain – and occasional heartbreak – of a job which keeps her on the road for much of the year, away from her lawyer husband and two young daughters. Even the woman of steel has a vulnerable side...

Pensioned off

■ Observer recently brought you news of Lech Walesa's campaign to get himself a pension by threatening to go back to his old job as an electrician at the state-controlled Gdansk shipyards, which are probably going to be privatised. We can all now breath a sigh of relief – he's got it.

Poland's parliament has voted the country's former heads of state life-time pensions, which means that ex-president Walesa will not have to mend fuses after all. Just before Easter, Walesa returned (amid a blaze of popping flashbulbs) to his old job – on the equivalent of $250 a month. His pension will bring him more than four times that, which should be enough to cover his bills.

Good news too for the shipyard's future owners. The workers there recently voted to accept 2,000 redundancies out of a total workforce of 7,000. One down, only 1,999 to go.

Wacking good pass

■ The naming of Tom Wacker as the first chief executive of the International Rugby Football Board just goes to show it's always worth sending off that application.

Wacker, 52, is an American-born banker by profession, but he's always loved playing rugby, both in the US and around the world in postings for Citibank, Bank of Montreal and others. He even took out Irish citizenship about seven years ago, just so he could play for the London Irish.

He's currently in the final six months of a contract with the Dublin-based financial services outfit IFG Group, running its Isle of Man outpost. With time thus running out, what does a rugby-loving banker do?

He scans the jobs vacant columns of the newspapers until he spots a likely-looking number, such as chief executive of the IRFB. He takes a fancy to it, and sends off his CV – along with as many as 900 others, according to the headhunters involved in the search.

A little while later, hey presto! He finds himself with the dream job, which – to make things even more perfect – is about to be relocated from Bristol to Dublin.

The Financial Times

100 years ago

New Zealand mines

Letter to the Editor:– Your useful article on New Zealand mines has led me and many others to look more closely at the affairs of this wonderfully rich colony, and as a result to invest in some of its mines and other companies. They seem to me to offer many advantages, especially when compared with African and other mines and exploration companies. Whatever may be said against the New Zealand Government, it encourages the mining industry. There is, I believe, a New Zealand "boom" close at hand.

50 years ago

French gold stocks

M. André Philip, French Finance Minister, has informed the Finance Commission of the French Assembly that it was necessary to withdraw immediately from the Bank of France's gold stock Frs.35,000,000,000 to pay for essential imports from America. Responsible financial authorities in Paris later stated that they had no doubt that by the end of this year France would be deprived of her last ounce of gold. M. Philip's announcement means that 27 per cent of the official gold stock is to be withdrawn.

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Markets react well to Swedish economic plan

By Greg McIvor in Stockholm

Financial markets reacted positively yesterday to a SKr22.1bn ($3.34bn) Swedish package of spending cuts, tax increases and asset sales aimed at eliminating the country's budget deficit by 1998.

Most of the package was made up of one-off savings – only SKr8bn of the measures announced by the minority Social Democratic government were permanent budget improvements. But the 33 per cent represented by tax increases was smaller than expected.

Mr Erik Asbrink, finance minister, said the measures, which cover spending in the 1997 and 1998 financial years, were an essential element of the government's drive to stabilise debt and meet the convergence criteria for European monetary union. But he made clear that Swedish participation was not currently on the agenda.

Eradicating the budget deficit, which reached 12.3 per cent in 1993, would represent the most substantial fiscal consolidation by any industrialised country in recent history, he claimed.

"We must not ease off by not fulfilling our commitment to restore the state finances to balance. That would be disastrous," he said.

Stressing his determination to keep spending down, Mr Asbrink announced a fixed ceiling on all public sector budgets. Any government department or local authority that overspent would have to finance the deficit from reserves or cuts in other parts of its operations.

Long-term interest rates dropped, with yields on most long-dated government bonds falling. The krona was steady against the D-Mark, and eased against the dollar and sterling.

Yesterday's package comes on top of SKr118bn in measures already announced and has been agreed with the opposition Centre party to ensure a majority in parliament.

The government is to raise SKr7bn by 1999 through floating shares in Nordbanken, the state-controlled bank partly privatised last year, and Securum, the state-owned company set up to liquidate Nordbanken's failed loans.

Energy taxes are to be increased by around SKr5bn and taxes on shareholdings raised, while the fee paid by banks to cover the state bank guarantee is to be doubled. Companies' tax deduction rights for entertaining are to be halved and sickness benefit qualification rules will be toughened.

Foreign aid will be trimmed from 0.8 to 0.7 per cent of gross domestic product, and pensioners' housing allowances and parental leave payments will be reduced.

Mr Asbrink predicted that the current economic slowdown would be shortlived and forecast growth of 1.4 per cent this year rising to 2 per cent next. But he conceded that such rates would be insufficient to halve unemployment from the current 8 per cent by the end of the century, in line with previous government pledges. He believed further measures would be required to meet the 4 per cent target.

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Advance in conductive plastic claimed in Taiwan

By Laura Tyson in Taipei

A Taiwanese company has claimed victory in the race to produce a commercial plastic that is both highly conductive of electricity and can be easily processed.

Such a plastic has numerous potential applications in the electronics and defence industries, ranging from radar-absorbing coatings for aircraft to conductive adhesives in rechargeable batteries for camcorders and personal computers.

Mr Chen Chien-yi, chairman of KI, the high-technology consultancy which made the claim, said: "The material has been in development for several years, and is now ready to be commercialised."

For the past decade, polymer scientists have been grappling with the problem of modifying the structure of polymers so that they combine good mechanical properties with improved conductivity.

A UK physicist said it would be a genuine advance if the Taiwanese researchers had successfully developed products with the polymer.

KI is an unlisted company specialising in finding solutions to technical problems, mainly in plastics and electronics. It is based in the southern port city of Kao-hsiung, Taiwan's industrial heartland and the home of many of the island's petrochemical and steel factories.

Conductive plastics have been developed before, said Mr Ho Kuo-hsien, a polymer engineer who helped develop the material. The difference is that this material, which he described as being "like PVC, plus conductive properties", can be processed like ordinary plastics. It can be melted into paint, moulded into film or ground into powder.

Plastic is sometimes made conductive by coating or adding metal powder or foil, but KI's material is intrinsically conductive, Mr Chen said. One important potential application of the material is in the manufacture of electric communications cable for cable television or circuitry in cars.

When prepared in a solvent, the material may be made into a conductive adhesive. This can be used in rechargeable batteries, which are gradually replacing environmentally unfriendly disposable batteries, to increase efficiency and prolong battery life.

One of the defence applications of the material, according to KI, is that it can absorb microwaves, including radar, used to detect the position of objects. Aircraft, missiles or sea-going vessels could be coated with a nearly weightless layer of conductive plastic "paint" to protect them from detection.

Israel

Continued from Page 1

the main international power broker in the region, kept up close contact with all parties yesterday but stepped back from endorsing any ceasefire proposals, fuelling Arab suspicions it would continue to support the Israeli operation until Mr Peres decided he had achieved his goals.

Michael Littlejohns adds from New York: The United Nations Security Council scheduled a meeting for last night, at Lebanon's request, but it appeared unlikely any meaningful decision would emerge, at least initially.

The most that might result from the debate, some diplomats said, was a statement urging an end to the attacks by both sides, without apportioning blame.

UK farmers

Continued from Page 1

not justified in terms of scientific evidence or public health – and for damages for those affected.

The union must initially target the government because UK courts do not have the power to review the Commission's actions. However, it will immediately ask the High Court to refer the issue to the European Court.

A European legal expert said the NFU stood a good chance of initial success in the High Court if it could show the measure contravened the Treaty of Rome requirement that restrictions on free trade should be based on specific grounds such as public health. However, if the case were referred to the European Court, the NFU would have to establish there was no reasonable scientific basis for the ban.

Japan and US sign security deal ahead of Clinton visit

By William Dawkins in Tokyo

Police went on heightened alert in Tokyo yesterday as Japan and the US signed accords to strengthen security co-operation and reduce the US military presence on the island of Okinawa.

Protesters drove past the US embassy with loud hailers on their trucks, attacking the presence of US military bases, on the eve of President Bill Clinton's arrival today for talks tomorrow with Mr Ryutaro Hashimoto, Japan's prime minister.

The two leaders plan to reaffirm the security pact under which 47,000 US troops are stationed in Japan, after the two nations' first Asian security review since the collapse of the Soviet Union.

Mr William Perry, US defence secretary, said it would be the most significant US-Japan summit since the cold war.

Both governments agree that the US presence is vital to Asian stability, but a vocal minority of Japanese are more conscious of the burden, highlighted by the rape of an Okinawa schoolgirl by three US servicemen last autumn.

Tokyo police have stationed 22,000 extra officers to guard airports, roads and subways. A 29-year-old man was arrested outside parliament yesterday when police found 11 petrol bombs in his car.

Yesterday's security accords, foreshadowed by both sides last week, include:

● An airbase and 10 other military sites on Okinawa, host to 28,000 troops, are to be returned to local landowners in the next five to seven years; artillery firing over a public road is to be stopped; and noise reduction steps will be taken. Mr Perry said that the deal would reduce the burden on residents while maintaining US military capability, but that the burden could never be removed. "Freedom is not free," he said.

● Japan will, for the first time, supply the US military with spare parts and services for joint training and US duty on United Nations peacekeeping missions.

● Japan is to study how it would co-operate with the US in an Asian war. One of the steps under consideration is to allow US forces to use civilian airports.

There is no plan to extend Japan's self-imposed ban on collective defence, which is defined as Japanese troops fighting alongside allies in foreign wars.

Separately, the two countries agreed to continue negotiations on access to Japan's insurance market, after failing to conclude a pre-summit deal.

The insurance sector is one of four areas of trade friction with Japan – along with photographic film, semiconductors and air cargo – that Mr Clinton was keen to see resolved before the summit. Of these, an accord has been reached on air cargo alone.

Back to cosy ritual, Page 6
Observer, Page 15

THE LEX COLUMN

Northern fights

The tussle for Tampella, a struggling Finnish engineering group, is a graphic illustration of the lack of shareholder protection in Scandinavia.

In a plot as incestuous as *Hamlet*, Tampella last week received a SKr1.8bn ($263m) bid from Svedala, a Swedish mining and construction group. Now Sandvik, another Swedish engineering company, has bought a 26 per cent stake in Tampella from Norway's Kvaerner. Both Swedish groups are keen to merge Tampella's main subsidiary, Tamrock, which makes rock-drilling machinery, with their own operations. Combining Tamrock with either would help lower costs and give it the clout to expand in developing markets.

But whereas Svedala has bid for the whole company – and its all-share offer was launched at a near-40 per cent premium to the Tampella share price – Sandvik has said it wants to raise its stake to 40 per cent but has no intention of making a full offer. Under UK takeover rules this would not be allowed. In Scandinavia, however, the size of the stake needed to trigger a full bid depends on each company's articles of association and is usually 70 per cent or more.

As things stand, Svedala will not be able to gain the 90 per cent of Tampella it needs to gain control of its cash flow. Unless it can persuade Sandvik to sell its 26 per cent – which seems highly unlikely – it may therefore decide to withdraw. This would be bad news for Tampella's shareholders, who already have seen their investment underperform by 90 per cent since 1990. A review of the takeover rules is needed.

Time Warner

Time Warner is stuck in a strategic stalemate. Operationally, everything is hunky dory, as demonstrated by yesterday's results. Time – bar its music division – is finally firing on all cylinders. And while it is tempting to link declining music profits with November's dramatic management changes, a tough US retail market is clearly the culprit. A stronger release schedule for the rest of the year should push even music into recovery mode.

Nonetheless, this will do little to reverse Time's stock market underperformance – it has fallen 40 per cent against the Dow Jones Industrial Average since 1994. The problem is that Mr Gerald Levin, Time's chairman, has set his heart on two deals that would transform the group's balance sheet and business portfolio – but both hang in the balance. Buying Turner Broadcasting would dilute cash flow per share, in exchange for a strategically important programme-packaging business. But government approval is far from certain. Equally unsure are plans to restructure Time Warner Entertainment, so that US West takes a larger share of the cable business in exchange for the studios and channels. This would enable Time to pile lots of debt into the cash generative cable division.

Time shares should bounce if the Turner deal succeeds, but they will do even better if it does not. The threat of earnings dilution would be removed. And with Seagram planning to sell its 15 per cent stake, management will be under considerable pressure to deliver quick fixes, such as selling the cable business, so as to avoid finding some barbarians at its gate.

Railtrack

The notion is gathering steam that Railtrack will be a safe, boring utility stock. Do not be deceived. It is more likely to be a roller-coaster.

Forget frothy talk of a privatisation-induced rail renaissance; for the foreseeable future, Railtrack's revenue growth is likely to be unexciting in the extreme. But its ability to deliver dividend growth still looks formidable; there are three reasons why.

First, Railtrack should have no difficulty cutting costs far faster than the gentle rate at which its revenues will be cut by the regulator. True, its biggest cost – infrastructure maintenance – is contracted out under fixed-price deals. But when these come up for renewal in a few years' time, the negotiating hand that Railtrack will have could not be more powerful. In the meantime, it has plenty of fat of its own to cut. The company still has 11,400 staff, of whom 3,000 are executives and managers. And its current regional structure, a legacy of British Rail, looks ostentatiously wasteful. Any who doubt what can be done should look at National Power, which has cut staff numbers by 70 per cent since privatisation.

Second, the company's accounts are conspicuously laden with provisions. Last year's costs included a £480m charge for long-term maintenance work; in fact, only £330m was spent. And the balance sheet is loaded with a £450m provision to cover maintenance at stations and depots. At worst, these figures are a generous cushion. At best, they could come to look far too cautious; if so, profits stand to gain handsomely.

Third, the balance sheet is absurdly strong. Thanks to the government's ill-considered debt write-off, the company's cash flow now covers interest nearly 20 times. This would be high for any company; for a utility, able to support large debts, it is nonsensical. Of course, there is extravagant talk of future investment plans, but it may well be overblown. The fact is that the company will pay out a dividend before it has even started trading in the private sector. This may be a gimmick, but it is testament to the capacious financial structure chosen by ministers. But before investors rush out and buy, they should pause and consider that all this is not the whole story. There is a wicked fairy at the christening party: the Labour party's Ms Clare Short.

Of course, even if Labour is elected, it may not carry out its threats. But investors would be unwise to count on it. Legislation on the privatised utilities clearly is a high priority for Labour. And once a government had taken fresh powers, it would have plenty of opportunity to exploit Railtrack's financial strength to its advantage and to investors' cost. It could, for instance, compel the company to build politically attractive infrastructure projects, offering much less subsidy than is really needed.

In reality, the likeliest outcome under a Labour government is a delicate balancing act. Railtrack will have to avoid making too embarrassing a pile of money – but the government will probably want to avoid being so harsh as to drive out all chances of private investment in rail. But working out this compromise is likely to mean a bumpy ride for investors. Even if the result ends up looking rather like a utility after all, getting there is certainly not going to be boring.

Additional Lex comment on Bank of Ireland/Bristol & West, Page 24

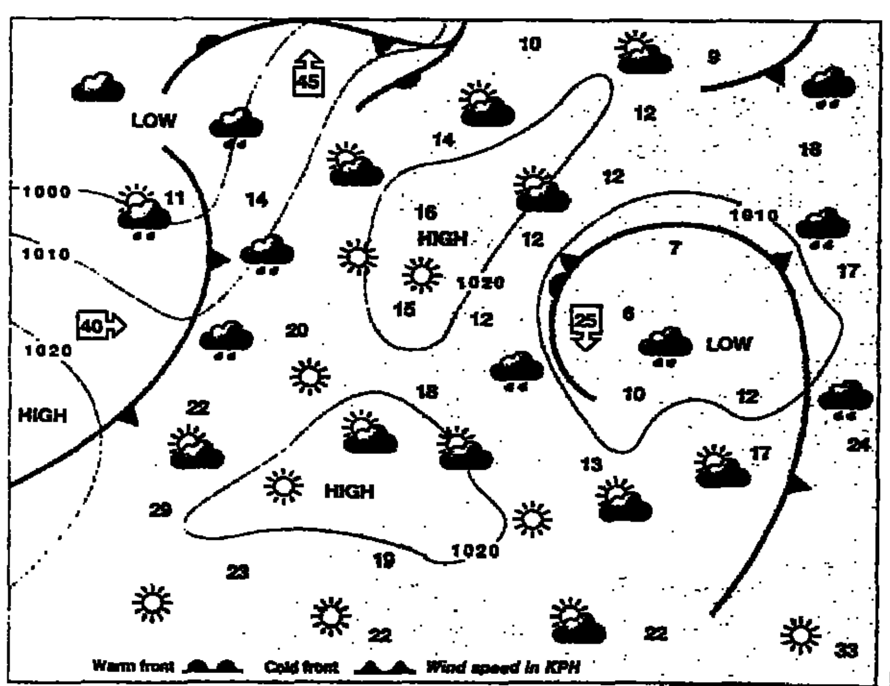
FT WEATHER GUIDE

Europe today

High pressure centred over Germany will influence most of the continent, bringing calm and sunny conditions from Spain to central and eastern France and Poland. It will rain in the northern Iberian peninsula, western France and the British Isles. A cold front will move from the Atlantic towards the continent, bringing lower temperatures and heavy rain. In Italy, cloud and sun will alternate, but the Balkans will have rain. Greece will remain mostly dry but cold. Temperatures in the Balkans will not exceed 10C in most places

Five-day forecast

Tomorrow the cold front will move from the British Isles bringing rain to the Benelux and France. Germany will be warm and sunny until Thursday, when it will rain. A second front will bring showers to the UK tomorrow and a third front will cause rain on Thursday and Friday. Showers will persist in the Balkans. It will be dry over Greece with possible showers on Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	31
Accra	fair	33
Algiers	sun	18
Amsterdam	sun	16
Athens	fair	16
Atlanta	sun	17
B. Aires	fair	15
B.ham	rain	13
Bangkok	shower	36
Barcelona	cloudy	18
Beijing	fair	20
Belfast	rain	11
Belgrade	rain	3
Berlin	sun	15
Bermuda	fair	20
Bogota	cloudy	20
Bombay	sun	33
Brussels	sun	17
Budapest	shower	9
C'hagen	fair	12
Cairo	fair	31
Cape Town	sun	21
Caracas	sun	30
Cardiff	rain	11
Casablanca	sun	21
Chicago	fair	7
Cologne	sun	18
Dakar	sun	25
Dallas	sun	27
Delhi	sun	40
Dubai	fair	32
Dublin	rain	11
Dubrovnik	cloudy	12
Edinburgh	rain	11
Faro	sun	23
Frankfurt	sun	17
Geneva	sun	19
Gibraltar	sun	22
Glasgow	rain	10
Hamburg	sun	16
Helsinki	fair	10
Hong Kong	cloudy	26
Honolulu	fair	30
Istanbul	fair	12
Jakarta	cloudy	32
Jersey	rain	13
Karachi	sun	37
Kuwait	sun	29
L. Angeles	fair	20
Las Palmas	sun	26
Lima	fair	25
Lisbon	fair	22
London	rain	16
Lux.bourg	sun	16
Lyon	sun	19
Madeira	fair	21
Madrid	fair	25
Majorca	sun	21
Malta	fair	22
Manchester	rain	13
Manila	cloudy	32
Melbourne	shower	16
Mexico City	fair	28
Miami	fair	29
Milan	sun	19
Montreal	rain	9
Moscow	cloudy	11
Munich	fair	13
Nairobi	thund	28
Naples	fair	15
Nassau	fair	28
New York	rain	12
Nice	sun	18
Nicosia	shower	18
Oslo	cloudy	12
Paris	sun	19
Perth	fair	29
Prague	sun	12
Rangoon	fair	37
Reykjavik	shower	8
Rio	fair	28
Rome	fair	16
S. Frsco	shower	18
Seoul	fair	20
Singapore	cloudy	32
Stockholm	fair	15
Strasbourg	sun	18
Sydney	fair	22
Tangier	sun	25
Tel Aviv	fair	29
Tokyo	shower	19
Toronto	shower	6
Vancouver	shower	14
Venice	sun	18
Vienna	fair	12
Warsaw	fair	11
Washington	shower	17
Wellington	fair	17
Winnipeg	fair	10
Zurich	sun	16